

# CURRENT HISTORY

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## The People's Republic of China, 1986



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# Current History

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# Current History

SEPTEMBER, 1986

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*This issue focuses on China's foreign policy and on the effects of the four modernizations: The growth in foreign trade, changes in the Sino-Soviet relationship and China's role in Southeast Asia are examined. Our lead article notes that "relations between the United States and China in 1986 are healthy but fragile. The relationship has become multifaceted, encompassing foreign policy, trade and investment, security ties and cultural relations."*

## Sino-American Relations: Policies in Tandem

BY JOHN BRYAN STARR

*Executive Director, Yale-China Association, Yale University*

**R**ELATIONS between the United States and China, which reached something of a post-normalization nadir in 1981, have improved significantly over the last five years. The cooling of bilateral ties in the early years of the administration of Ronald Reagan was occasioned by China's reassessment of its ties with Moscow, with Washington, and with other nations in the third world.<sup>1</sup>

While China had nominally pledged itself to a policy of identification with the third world and to the avoidance of an alliance with either of the superpowers, Chinese and American initiatives and policy statements in 1979 and 1980 lent credence to the perception that Beijing and Washington were creating a strategic relationship designed to counter Soviet interests in East Asia. This perception served to alienate both the Soviet Union and third world states, a detriment that was not counterbalanced, in Beijing's view, by the gains deriving from its closer ties with the United States.

Moreover, the Chinese apparently believed that the future of Sino-American relations was seriously threatened by Ronald Reagan's election in 1980. Reagan was known to have close personal ties to members of the government on Taiwan and had cam-

paigned with a promise to "upgrade" relations with Taiwan. Thus the Chinese believed that President Reagan was likely to undo the progress made in building Sino-American relations under Presidents Richard Nixon, Gerald Ford and Jimmy Carter. These two factors brought about a shift in Chinese policy: distancing Beijing from Washington and reaffirming China's independence in world affairs.

In office, however, President Reagan pursued policies toward China very different from those promised by Reagan the campaigner. By 1982, the "darkening clouds" that the Chinese had seen hovering over the state of relations the preceding year had begun to dissipate. Two years later, the relationship's improved state was symbolized by the exchange of visits between President Reagan and Chinese President Li Xiannian.

Today, the relationship is strong and multifaceted. The United States and China are pursuing remarkably parallel policies with their Pacific Basin neighbors. United States trade with and investment in China have expanded rapidly and substantially. Cultural relations, especially academic exchanges, have grown exponentially. Finally, perhaps the most significant area of development in recent years has been that of military cooperation and arms sales. For all its strengths, however, the relationship is not without its problems. In each of its facets there are obstacles to further progress.

Samuel Kim has drawn a distinction between China's attitude toward nations and events within its "security zone" and its attitude toward nations and events outside this zone. Kim notes that within this security zone, China's interests are at stake, whereas outside this zone China's norms are involved.<sup>2</sup> While

<sup>1</sup>For a discussion of this period, see Steven I. Levine, "China and the United States: Limits of Interaction," in Samuel S. Kim, ed., *China and the World: Chinese Foreign Policy in the Post-Mao Era* (Boulder, Colo.: Westview Press, 1984), pp. 113-134. See also Harry Harding, "China's Changing Role in the Contemporary World," in Harry Harding, ed., *China's Foreign Relations in the 1980's* (New Haven: Yale University Press, 1984), pp. 177-224.

<sup>2</sup>Samuel S. Kim, "China and the Third World: In Search of a Neorealist World Policy," in Kim, op. cit., pp. 178-211.



China has become increasingly critical of certain aspects of United States foreign policy since 1981, that criticism is directed primarily at United States policies toward and actions in areas that lie outside China's security zone, where norms and not interests are at stake. Within the security zone, a strong confluence of interests between the United States and China has developed. This confluence is manifested in Chinese and American policies toward Japan, Korea, the states of the Association of Southeast Asian Nations (ASEAN) and Indochina. The exception, of course, is Taiwan.

Both China and the United States regard their relations with Japan as the keystone in developing Pacific Basin policies. The two have a comparable trade relationship with Japan; in each case, trade is large in volume and unbalanced in Japan's favor.<sup>3</sup> Both have an interest in seeing Japan bear an increased share of regional security costs, though this interest is mitigated in China's case by China's lingering concern over the potential revival of Japanese militarism and expansionism—a concern not shared by the United States.

Like the United States, China has an interest in maintaining stability on the Korean peninsula. China is strongly committed to maintaining close ties with North Korea in order to maintain distance between Pyongyang and Moscow. As a result, Beijing has presented itself to Washington as a potential intermediary in United States contacts with North Korea and as a potential participant in reunifying the peninsula. At the same time, there are growing unofficial ties between China and South Korea.

China's relations with the ASEAN states have improved steadily over the last five years. Most of these states continue to regard China as a potential threat to their security, and many of them have a troubled relationship with the Chinese minorities living within their borders. Nonetheless they react favorably to the fact that, in the interest of developing trade ties, China has stopped supporting insurgencies in the region. As a result, American and Chinese policies toward the ASEAN states are now closely parallel.

Although the United States and China found themselves on opposite sides during the conflict in Vietnam, that disagreement ended in the late 1970's as China's relations with Hanoi deteriorated. Like the

<sup>3</sup>Japan is China's largest trading partner, accounting for more than 27 percent of China's total foreign trade. Two-way trade last year was \$19 billion, more than double that between the United States and China. There was a \$6-billion trade surplus in Japan's favor.

<sup>4</sup>In 1981, Marshal Ye Jianying put forward the "Nine Points" on the terms of reunification. Most important among these was the promise that following reunification, the economic system would remain intact and that Taiwan would be governed as a "special administrative region." In 1983, the Chinese constitution was rewritten to include a provision for such regions, a provision that applies to Hong Kong after 1997.

United States, China opposes Soviet assistance to Vietnam and Vietnam's control over Laos and Kampuchea. Both Beijing and Washington support the coalition of anti-Vietnamese Kampuchean forces nominally headed by Prince Norodom Sihanouk. And Beijing and Washington have been equally cool toward recent Vietnamese overtures advocating improved relations.

The exception to this confluence of American and Chinese interests in the Pacific Basin is Taiwan. Indeed, the Chinese continue to refer to Taiwan as the most important obstacle to further improvement in Sino-American relations. While Beijing appears to be satisfied with United States adherence to the August, 1982, Sino-American joint communiqué (in which it was agreed that United States arms sales to Taiwan would be gradually reduced and ultimately terminated), the Chinese are not satisfied with current American policy on the reunification of Taiwan with the mainland.

Beijing has made what it regards as its last and most generous offer of terms for reunification.<sup>4</sup> In addition, it has concluded an agreement for the transfer of sovereignty over Hong Kong that it considers a model and a potential incentive for Taiwan. Despite what Beijing regards as its generosity and its probity, Taiwan has refused to enter into negotiations over the question of reunification. Faced with this intransigence, Beijing believes that only United States pressure can persuade Taiwan to negotiate. Using an earlier Chinese argument—namely, that the Taiwan question is an internal matter that can be decided only by the Chinese parties themselves—the United States has so far refused to exert pressure on Taiwan. Aside from the question of whether or not it would be appropriate for the United States to involve itself as an advocate for Beijing's position, the Chinese assumption that such involvement would be effective is highly questionable.

## TRADE AND INVESTMENT

The "Open Door" policy inaugurated in 1978 by First Deputy Prime Minister (now de facto leader) Deng Xiaoping and his colleagues calls for China's increasing involvement in the world economy. As a result, foreign trade as a percentage of gross national product has increased from less than 12 percent in 1980 to more than 26 percent in 1985, with most of the growth occurring during the last two years. The prospect of substantial trade and investment was an important factor in the decision by the United States and China to normalize relations in 1979. Although businesspeople in the United States and officials in China both complain that the growth of trade and investment over the last seven years has not met their expectations, this growth is impressive nonetheless.

Total two-way trade between the United States and

China in 1985 amounted to some \$8.08 billion, up more than 26 percent over the previous year.<sup>5</sup> This trade constitutes 11.6 percent of China's total two-way trade, placing the United States third (behind Japan and Hong Kong) among China's trading partners. United States exports to China in 1985 totaled \$3.86 billion; most important were exports of civilian aircraft, logs, fertilizer, wheat, and oil and gas drilling equipment. Most important among China's exports to the United States, which totaled \$4.22 billion, were crude petroleum, gasoline, tin, stuffed toys and cotton cloth.<sup>6</sup>

In addition to expanding trade relations, the Chinese have actively encouraged foreign investment in their economy. Laws governing the operation of equity joint ventures were promulgated in 1984. Special economic zones (SEZ's), in which preferential regulations favoring foreign investors apply, were set up in Guangdong and Fujian provinces. Subsequently, 14 cities located along the China coast were given the autonomy to sign agreements with foreign firms.

Hong Kong firms have been quick to take advantage of the preferential treatment available to them as investors in the SEZ's and coastal cities. Of the 925 joint venture agreements signed by the end of 1984, some 734, or 80 percent, involved Hong Kong companies. By contrast, American firms have been relatively slow to respond to investment opportunities in China. At this writing, fewer than 100 joint venture agreements have been signed between American firms and Chinese co-investors. This constitutes less than 10 percent of the total. Total United States investment in China is currently estimated at about \$1 billion, which is far below the expectations the Chinese had when they launched the Open Door policy eight years ago.

Several obstacles lie in the path of the further, more rapid development of Sino-American trade and investment. At the moment, the most important of these obstacles is the Chinese reaction to a sharp drop in Chinese foreign currency reserves over the last 18 months, caused primarily by the very substantial balance of payment deficits China experienced in 1984 and 1985, particularly in trade with Japan. Whereas at the end of 1984 China's reserves stood at \$21.3 billion (including \$4.6 billion in gold), by the end of 1985 they had dropped to less than \$16 billion (including \$4 billion in gold).

To stem the drain on foreign exchange, in joint ven-

ture agreements Chinese negotiators have been encouraged by their government to insist on terms that involve little or no expenditure of foreign exchange by the Chinese. Most welcome are projects, like hotels, that generate foreign exchange. Most difficult to negotiate are projects that produce profits in nonconvertible Chinese currency but call for the eventual repatriation of foreign capital in convertible currency.

A second obstacle to the further development of United States-Chinese economic ties is fear of United States firms about the political risk involved in investing in China. Potential investors, quite reasonably, look back over the period since the founding of the People's Republic of China in 1949 and note that the last decade of stability and rapid economic development was preceded by nearly three decades of frequent policy shifts and fluctuating rates of economic development. The Chinese respond by asserting that the policy shift in 1978 is irreversible. They note that the current policy has resulted in a significant increase in the standard of living of the average Chinese citizen. As a result, the policy enjoys broad popular support. By contrast, the policies that preceded it are seen as having brought about the Cultural Revolution and, as a result, have been thoroughly and permanently discredited.

Few American businesspeople are completely convinced by these arguments. They see current policies as closely associated with Deng Xiaoping, now 82 years old, and they worry that Deng's policies are likely to be called into question when he no longer influences economic and political decision making. While they are impressed with Deng's success in selecting not only a second but also a third echelon of successors, they note that examples of a smooth transition of power in socialist political systems are very few indeed.

For their part, the Chinese have expressed dissatisfaction with American hesitation to license the sale of advanced technology to China. This reluctance has resulted from American laws preventing the sale of technology with a potential military application to nations who may use this technology against the United States. An important obstacle was overcome in December, 1985, when Congress approved the United States-Chinese nuclear accord originally signed during Chinese President Li's visit to the United States in July, 1985. There was some congressional opposition to the agreement because of allegations that China was exporting nuclear technology to Brazil, Argentina, South Africa, Pakistan and Iran. Approval came too late, however, to permit American firms to participate in the bidding for a major nuclear power plant project in Guangdong province; as a result, the project will be developed in cooperation with French, British and Hong Kong firms.

The government-to-government cultural ties forged during the first two years after normalization were

<sup>5</sup>Trade figures for 1985 are drawn from *China Business Review*, vol. 13, no. 3 (May-June, 1986), pp. 76-77.

<sup>6</sup>The \$360-million trade surplus in China's favor shown in these figures is disputed by Chinese authorities, who exclude Chinese goods shipped through Hong Kong from their calculations, thus showing a deficit in excess of \$2 billion in United States-Chinese trade last year. This figure was cited by State Councillor Gu Mu in conversation with foreign visitors in December, 1985.

severed by the Chinese in 1981 to protest the United States decision to grant political asylum to the defecating tennis player Hu Na. Reestablished in 1982, these ties, together with unofficial, institution-to-institution cultural and academic exchanges that continued unabated during the interruption of official ties, are flourishing.<sup>7</sup> Over the longer term, they may prove to have the greatest impact on Sino-American relations.

More than 15,000 Chinese students and scholars are currently living and working in the United States; they make up more than half of all Chinese now studying abroad. The current number of scholars is greater by a factor of six or seven than that of the pre-World War II peak. Roughly half the Chinese studying in the United States are financed by their government. The rest are what the Chinese call "self-funded," receiving support from relatives, friends or American institutions. A small fraction of the number are in the United States as participants in government-to-government or university-to-university exchange programs. A growing number apply as individuals directly to graduate schools for admission into advanced degree programs. The majority continue to arrange their visits through individual faculty sponsors in American colleges and universities. As visiting fellows, these Chinese scholars ordinarily work at an American institution free of tuition.

Only a few Chinese are enrolled as undergraduates in the United States because of the Chinese view that undergraduate education is an inappropriate level at which to invest scarce financial resources. Throughout this period, Chinese studying in the United States have been concentrated in the hard sciences, the natural sciences, mathematics, engineering and computer science. Fewer than 500 Americans are living and working in China. Most are employed by Chinese colleges and universities as teachers of English or other subjects. Others are enrolled as students in Chinese language instructional programs. A few are participants in government-to-government or university-to-university exchange programs and are carrying on their own research.

While thriving, the cultural relationship between the United States and China is not free of problems. One of these is the question of reciprocity. There is an inevitable imbalance in academic exchanges, given the level of development of American science and the financial resources available to fund exchanges. Once the novelty of having Chinese scholars in American institutions wears off, this imbalance may be more prominent and arguments in favor of greater reciprocity may prevail.

<sup>7</sup>For a detailed evaluation of educational exchanges, see Committee on Scholarly Communication with the People's Republic of China, National Academy of Sciences, *Sino-American Educational Exchanges: Survey of Trends, 1978-84* (Washington, D.C.: National Academy Press, forthcoming).

On the Chinese side, the potential for a "brain drain" is of particular concern. Visiting the United States in 1979, Deng Xiaoping spoke jokingly of the need to send twice the number of needed Chinese scholars to the United States, because half of them would decide to stay in the United States. Although there are no reliable statistics on the number of Chinese scholars who have decided not to return to China, the State Education Commission in Beijing regards the problem as potentially serious.

A final problem in cultural exchanges is a lingering attitude on the part of some Chinese that interactions between Americans and Chinese will have a pernicious effect on China's politics, society and culture. While arguments against "spiritual pollution" have become somewhat more muted in recent months, those opposed to Deng's Open Door believe that China's potential gain from increased trade, investment and access to Western technology does not outweigh the corrupting effects of Western values. Those supporting the opening to the West, including Deng himself, defend the policy on what has in the past proved to be a shaky argument, namely, that China will borrow Western techniques but it will not borrow Western values.

#### ARMS SALES AND STRATEGIC COOPERATION

Strategic considerations have affected Sino-American relations since the beginning of the process of normalization in 1971. The two sides were drawn toward one another at a time when Sino-Soviet relations had deteriorated to the point of armed conflict and when the United States was bogged down in a conflict in Vietnam with opponents heavily supported by Moscow. As early as 1973, the United States Department of Defense began to commission studies of the implications of a limited United States effort to strengthen China's defense capabilities. Five years later, and six months prior to the announcement of the normalization of relations between the two countries, National Security Adviser Zbigniew Brzezinski visited Beijing and called for "cooperation in the face of a common threat," the Soviet Union. Following his visit, the first sale to China of "dual-use" technology (that is, civilian technology with potential military application) was approved in Washington, and shortly thereafter the United States ceased to protest sales of military equipment to China by members of the North Atlantic Treaty Organization (NATO).

Although Brzezinski was responding, in part, to the Chinese suggestion of a tripartite relationship among

(Continued on page 277)

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**John Bryan Starr** is a lecturer in the department of political science at Yale University. His most recent book is *The Future of US-China Relations* (New York: New York University Press, 1982).

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*"The reawakening of Sino-Soviet relations brings to mind Washington Irving's story of Rip Van Winkle. Like the hapless Dutchman, who returned to his village after a 20-year sleep to find his world transformed, the Soviet Union and China are resuming their intercourse after a long hiatus. But the world of the 1950's is gone forever."*

## The End of Sino-Soviet Estrangement

BY STEVEN I. LEVINE

*Associate Professor of International Service, American University*

CHINESE Vice Prime Minister Yao Yilin's successful visit to the Soviet Union in July, 1985, resulted in the signing of several important economic cooperation agreements. Subsequently, the Chinese Communist party (CCP) journal *Liaowang* asserted, "The years of estrangement in Sino-Soviet relations are now over."<sup>1</sup> Considerable evidence is available to sustain such an assessment. Exchanges of visits by high-ranking leaders, burgeoning trade, the intensification of cultural and educational exchanges and a marked improvement in the general atmosphere have characterized Sino-Soviet relations over the past two years. The prospects for further improvement appear good.

Yet not all aspects of the Sino-Soviet picture can be painted in pastel colors. Massive Soviet and Chinese armies still face each other across a lengthy border. Moscow and Beijing support opposing sides in the bitter conflicts in Afghanistan and Kampuchea and compete for influence in North Korea. Their rivalry in much of the third world is far from extinguished. Above all, Chinese leaders reiterate their statement that until the Kremlin seriously undertakes to remove the "Three Obstacles" that stand in the way, the normalization of Sino-Soviet relations cannot be achieved. These Three Obstacles are the concentration of Soviet forces along the Chinese border, Soviet intervention in Afghanistan and Soviet support for Vietnam's occupation of Kampuchea. Meanwhile, Soviet leaders insist that normalization must occur without jeopardizing the interests of third parties, meaning Moscow's client in Kabul and its ally in Hanoi.

In light of these conflicting trends—improvement of bilateral Sino-Soviet relations on the one hand and continuing competition and conflict on the other—it is pertinent to raise the question of what "normalization" actually means in the context of Sino-Soviet relations. In the 37 years since the founding of the People's Republic of China in 1949, Sino-Soviet relations have run the gamut from the "eternal friendship" of the 1950's through the "permanent enmity" of the late 1960's and 1970's. The wildly inconsistent

history of Sino-Soviet relations thus provides little guidance in defining normalization or normality.

Nor is the parallel history of Sino-American relations of much help. In the Washington-Beijing relationship, "normalization" was defined by both sides as the establishment of full diplomatic relations, a task accomplished on January 1, 1979. In the Sino-Soviet case, even during the periods of greatest tension and hostility, the framework of diplomatic relations established in 1949 was not splintered, trade continued at very low levels, and Moscow never challenged Beijing's claim to sovereignty over Taiwan. During the Sino-Soviet conflict, the most decisive break occurred in the realm of party-to-party relations, and no significant steps have yet been taken to repair the break.

Trade and economic relations have been the major instruments for overcoming Sino-Soviet estrangement, although the use of economic relations derived from larger political considerations in both capitals. In the first stages of the post-Mao economic revitalization program, China multiplied its economic links with the developed capitalist world rapidly, while making only modest progress in its trade with the Soviet Union and the countries of East Europe. In 1982, Beijing decided to include the Soviet Union and East Europe in its Open Door economic diplomacy. In addition to the economic benefits of this decision, Chinese leaders must have calculated that the expansion of trade and economic ties with the Soviet Union would enhance the credibility of Beijing's newly proclaimed independent foreign policy.

For its part, Moscow had watched growing Western involvement in China's economy with considerable unease. Soviet leaders had long called for an increase in economic relations with China to help reduce tension. Moscow responded with alacrity to China's 1982 decision, seeing trade as a way to improve the overall Sino-Soviet relationship.

The new Sino-Soviet economic relationship was forged in meetings at the Vice Prime Minister level beginning in December, 1984. That month, Soviet Vice Prime Minister Ivan V. Arkhipov, an economic affairs specialist who had headed the Soviet economic assistance program to China in the 1950's, returned to

<sup>1</sup>*Liaowang*, July 29, 1985, p. 27.



Beijing; he was the highest ranking official Soviet visitor in 15 years. Greeted warmly as an old friend of China's, Arkhipov held substantive talks with his Chinese counterpart, Vice Prime Minister Yao Yilin, and was received by Peng Zhen, chairman of the Standing Committee of the National People's Congress, and by other prominent leaders of the older generation.

At the end of the visit, several agreements were signed that provided for: 1) economic-technical cooperation in modernizing industrial enterprises developed in the 1950's with Soviet aid; 2) scientific and technical exchanges; 3) the establishment of a Sino-Soviet Economic, Trade, Scientific and Technical Cooperation Commission; 4) a long-term trade agreement (1986-1990) envisioning a rapid increase in trade.<sup>2</sup>

In July, 1985, Yao Yilin reciprocated Arkhipov's visit by traveling to Moscow, where he signed agreements concerning trade and payments for the 1986-1990 period. The volume of trade for this period was set at \$14 billion. Another agreement specified Soviet assistance in the construction of 7 new economic projects and the reconstruction of 17 older facilities in fields like machine-building, metallurgy, coal and chemical production and transportation.

Sino-Soviet trade has expanded rapidly over the past several years. As recently as five years ago, the total value of the two-way trade was only about \$160 million. By 1984, trade had increased to \$1.2 billion and in 1985 it took a further leap to \$1.9 billion. However, this was still only slightly over 3 percent of China's total foreign trade, and only 30 percent of the value of China's trade with the United States.<sup>3</sup> When the long-term trade agreement expires in 1990, Soviet-Chinese trade is projected to have grown to \$6 billion, a little less than the present United States-Chinese trade figure. Chinese exports to the Soviet Union are mostly agricultural and light industrial products including foodstuffs, handicrafts, textiles and minerals, while the Soviet Union ships China machinery, steel, electrical power equipment, fertilizer, transportation equipment and other heavy industry products. As the Soviet scholar Roy Medvedev has pointed out, the underdevelopment of the Soviet consumer industry makes the Soviet Union a natural market for Chinese light industrial products without the protectionist barriers of Western markets.<sup>4</sup>

A notable feature of Sino-Soviet economic relations since 1983 has been the renewal of the once vigorous

trade linking contiguous regions in China and the Soviet Union on a barter basis. From Xinjiang in the far northwest of China through Heilongjiang in the northeast, new border trading posts have been opened, and the volume of trade has rapidly increased.

The forging of these links not only restores long-standing natural trading patterns that antedate both the Soviet and the Chinese Communist regimes, but also improves the atmosphere of civility along what was for many years a tense and incident-prone border. The improved atmosphere along this border was demonstrated by the routine disposition of the first reported hijacking of a Soviet civilian aircraft that was forced to land in western Heilongjiang while on a domestic flight in eastern Siberia. The plane, its crew and passengers were promptly returned to the Soviet Union while the hijacker—the co-captain of the aircraft—was tried in a Harbin municipal court and sentenced to an eight-year prison term.

In March, 1986, Vice Prime Minister Arkhipov returned to Beijing to chair the first session of the Sino-Soviet Economic, Trade, Scientific and Technical Cooperation Commission and to sign another protocol on the exchange of engineers and technicians. *Pravda's* report on this visit noted that Chinese Prime Minister Zhao Ziyang, who met with Arkhipov, expressed satisfaction with progress in trade, economic, technical and scientific cooperation between the Soviet Union and China. However, the Soviet party newspaper did not publish Zhao's complaint that no substantial progress had been achieved in political relations.<sup>5</sup>

The implementation of the agreements signed by Vice Prime Ministers Arkhipov and Yao required the multiplication of Sino-Soviet contacts at the working level and the reanimation of links that had lain dormant for 20 years or more. In May, 1986, for example, a delegation of the Soviet Ocean Shipping Company visited Shanghai and reached an agreement to establish an office in that city to handle the growing volume of trade. A counterpart Chinese office is to be set up in Odessa.

After a 20-year gap, river transport between the Soviet Union and China resumed along the Heilongjiang (Amur) and Songjiang rivers linking northeast China and eastern Siberia. China's first major trade exhibition in the Soviet Union since 1953 was scheduled to take place in July-August, 1986. The reawakening of Sino-Soviet relations brings to mind Washington Irving's story of Rip Van Winkle. Like the hapless Dutchman, who returned to his village after a 20-year sleep to find his world transformed, the Soviet Union and China are resuming their intercourse after a long hiatus. But the world of the 1950's is gone forever.

During the process of Sino-American normalization, the establishment of high-level contacts was fol-

<sup>2</sup>Foreign Broadcast Information Service, *China* (hereafter FBIS), December 28, 1984.

<sup>3</sup>*China Daily*, January 23, 1986, p. 1.

<sup>4</sup>Roy Medvedev, *China and the Superpowers* (New York: Basil Blackwell, 1986), p. 220.

<sup>5</sup>*Pravda*, March 19, 1986, p. 4; *China Daily*, March 19, 1986, p. 1.



lowed by the "thickening" of the Sino-American relationship through the multiplication of economic, cultural, educational, tourist and other links. A similar process is now under way in Sino-Soviet relations. But unlike China's relations with the United States, where a multitude of private American organizations, businesses and individuals have established links with the Chinese, in the Sino-Soviet arena all the strands of the relationship have an official or a quasi-official character.

The growth of educational exchanges provides one barometer of Sino-Soviet cultural relations. Starting with only 10 students from each side in 1983-1984, there were 70 in the following year, and currently there are 200 exchange students. To put this in perspective, however, one should observe that the figure is equal to only a little over one percent of the number of Chinese students from the People's Republic in the United States at the same time. After a lapse of 20 years, Soviet and Chinese artists, musicians, dancers, athletes, filmmakers and others are again performing in one another's country under the terms of cultural cooperation agreements signed by the two governments.

The reanimation of Sino-Soviet cultural, educational, scientific and technical exchanges has occurred without any obvious problems. Although Soviet culture does not inspire the enthusiasm in Chinese urban youth that Western popular culture does, it does not carry the risk of "spiritual pollution" that Chinese cultural conservatives see lurking in "decadent capitalism." Nor do Chinese and Soviet officials fear politically inspired defections like the celebrated defection of Chinese tennis star Hu Na, which caused a minor crisis in Sino-American relations in 1983.

In sum, the prospects for the broadening and deepening of Sino-Soviet cultural relations are good within the limits established by officials on both sides. The renewal of Sino-Soviet cultural relations and the growing if still modest contacts between Chinese and Soviet citizens in various walks of life give the lie to one of the less attractive myths engendered by the Sino-Soviet conflict, namely, that deep-seated historical and cultural antagonisms verging on race hatred lay at the root of the Sino-Soviet conflict.

## POLITICAL DIFFICULTIES

An analysis of the overtly political dimensions of the Sino-Soviet relationship shows signs of improvement alternating with signs of continuing conflict and clashes of interest. The election of Mikhail Gorbachev as General Secretary of the Communist party of the Soviet Union (CPSU) in March, 1985, after the death of Konstantin Chernenko allowed both sides to reit-

erate their commitment to improving relations. In his maiden speech as General Secretary to a special Central Committee plenum on March 11, 1985, Gorbachev said, "We would like to see a serious improvement in relations with the People's Republic of China, and believe that, given reciprocity, this is quite possible."<sup>6</sup>

China's National People's Congress Chairman Peng Zhen praised Chernenko's dedication to the improvement of Sino-Soviet relations and, echoing Gorbachev's call, said, "We too cherish the same hope. The Chinese government will do its best to constantly develop Sino-Soviet relations in various fields."<sup>7</sup>

Vice Prime Minister Li Peng, a top leader of the younger generation (and a man educated in the Soviet Union), headed the Chinese delegation to Chernenko's funeral. In Moscow, he met with Gorbachev and reaffirmed China's commitment to improved relations with the Soviet Union. (A lower-ranking Chinese official, then Foreign Minister, Huang Hua, had represented China at Soviet President Leonid Brezhnev's funeral in November, 1982.) General Secretary Gorbachev's assessment of Sino-Soviet relations in his report to the twenty-seventh Soviet party congress on February 25, 1986, was upbeat.<sup>8</sup>

To Chinese observers, the program of economic revitalization and political renewal that Gorbachev promised upon assuming office, which involved the wholesale removal of elderly holdovers from the Brezhnev era, may have appeared to be the Soviet equivalent of Chinese leader Deng Xiaoping's reforms. In any case, Chinese press commentary on Soviet domestic affairs in the months after Gorbachev took power tended to be objective and noncritical in tone. One stimulus to China's greater interest in improving Sino-Soviet relations, then, may have been the realization that Gorbachev would be a more effective and dynamic leader. Beijing may also have expected some new initiative from Gorbachev to break the stalemate over the so-called Three Obstacles.

If this was the case, no such initiative was forthcoming in the first 16 months of Gorbachev's tenure. For Moscow, domestic reform and relations with the United States took priority over Sino-Soviet relations. From a Soviet perspective, existing trends in the Sino-Soviet relationship were encouraging, and there was no need to offer the Chinese any concessions.

Even in the strictly political realm, Sino-Soviet relations advanced in 1985. In March, a delegation of Chinese representatives to the National People's Congress led by Zheng Chengxian traveled to Moscow in the first such visit in more than 20 years. In October, a reciprocal Soviet parliamentary visit to China took place, led by Lev N. Tolkunov of the Supreme Soviet of the Soviet Union. The Soviet group met with President Li Xiannian, Peng Zhen, and other important Chinese officials amid the familiar expres-

<sup>6</sup>*International Affairs* (Moscow), no. 4 (April, 1985), p. 9.

<sup>7</sup>FBIS, March 12, 1985.

<sup>8</sup>*Pravda*, February 25, 1986, p. 11.

sions of determination to work for even better relations. In September, 1985, Soviet Foreign Minister Eduard Shevardnadze and his Chinese counterpart Wu Xueqian met at the United Nations annual General Assembly session to exchange points of view on international issues in what promised to become an annual encounter. Invitations for official visits at the foreign minister level have been extended by both sides, but no such visits had been scheduled as of mid-1986.

Thus, at the diplomatic level the number of high-level contacts between the Soviet Union and China increased substantially in 1985–1986. Multiple channels of communication were open to officials in many spheres of activity, and only the very highest level visits were regarded as out of the ordinary. Setting aside national security issues, in the sphere of strictly bilateral relations there were no outstanding conflicts between the two countries that harbored the seeds of crisis nor were there any issues that required the urgent attention of Gorbachev or Deng.

If this assertion is correct, can it be concluded that Sino-Soviet relations have been normalized? It must be remembered that the Chinese vociferously reject such an idea. Against the melody of Sino-Soviet amelioration, Chinese officials sound the bass refrain that the relationship cannot be normalized so long as Soviet leaders refuse to budge on the Three Obstacles.

A specific case is the Chinese refusal (as of mid-1986) to reestablish party-to-party relations. In October, 1985, Wu Xingtang, a spokesman for the international liaison department of the Chinese Communist party, said that it was not yet time to consider restoring relations between the Soviet and Chinese Communist parties in view of the continuing security threat to China posed by the Three Obstacles. Just six months later, a Chinese party spokesman repeated the same point. Repeating a long-established practice, the CCP refrained from sending a delegation to the twenty-seventh congress of the CPSU (Communist party of the Soviet Union) held in Moscow in February, 1986. Twenty-five years have passed since October, 1961, when China's Prime Minister Zhou Enlai demonstratively stalked out of the Soviet twenty-second party congress to protest Prime Minister Nikita Khrushchev's verbal onslaught against Albania. In the area of party-to-party relations, Rip Van Winkle is still sleeping.

Why should the Chinese be so unwilling to resume formal party relations with the CPSU? After all, CCP Politburo member Li Peng has already met twice with Gorbachev; other officials involved in state-to-state relations are, of course, highly placed in their respective Communist parties. Furthermore, in recent years Chinese leaders have stressed the desirability of establishing links with so-called "progressive" parties of

widely varying political persuasions. Why not the Soviet Communist party?

When one reflects upon the Three Obstacles, it is obvious that they have nothing whatsoever to do with party relations. Why, then, should formal party relations be held hostage to significant changes in Soviet foreign and security policy—changes that Chinese leaders may demand but cannot reasonably hope to effect through any action of their own? Are party-to-party relations so important that they are being held in reserve as the last area to be normalized? Or is it perhaps that formal party relations matter so little in practice that the Chinese at a minimum lose nothing and perhaps have something to gain in postponing this final step?

In Marxist-Leninist terms, of course, the Communist party stands above the state structure in the hierarchy of political power, and is the repository of ultimate authority and legitimacy. By abstaining from reestablishing relations with the CPSU, then, the Chinese Communists can indicate their continuing disapproval of Moscow's policies in the areas of foreign and security policy without jeopardizing the concrete interests that are served by the reforging of other links. Moreover, the core value of political autonomy is symbolically protected by China's refusal to reestablish party links.

This becomes clear if one recalls the origins of the Sino-Soviet conflict. A central element in that conflict was China's refusal to accept a subordinate position in the world Communist movement and its determination to contest the leadership of that movement (which had remained under Moscow's domination even after de-Stalinization).<sup>9</sup> One of the fixed points in the recent shifts in Chinese policies is the idea that relations among Communist and other "progressive" parties should be guided by "the principles of independence, equality, mutual respect and non-interference in each other's internal affairs."<sup>10</sup> Abundant evidence sustains the Chinese assertion that the Soviet Communist party fails to respect these principles in its dealings with smaller and weaker parties in the socialist world. Until the Soviet Union (directed by the CPSU) ceases to assert hegemony in its dealings with other Communist parties and socialist states, the CCP, according to the logic of principle, cannot enter into relations with the CPSU.

This involves the meaning of the Three Obstacles that (the Chinese say) impede the normalization of

(Continued on page 279)

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**Steven I. Levine** has written extensively on Chinese foreign policy, particularly Sino-Soviet and Sino-American relations. His book on the Chinese revolution, *Anvil of Victory: The Communist Revolution in Manchuria*, will be published by Columbia University Press in late 1986.

<sup>9</sup>Medvedev, op. cit., p. 172.

<sup>10</sup>*Beijing Review*, vol. 29, no. 2 (January 13, 1986), p. 7.

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*"The Kampuchean conflict remains the sole issue on which Beijing can assert itself as a regional power. In its absence . . . China's weakness as a regional power would . . . be dramatically evident. China therefore has strong incentives, both emotional and strategic, to sustain the Kampuchean war as long as it can."*

## China in Southeast Asia

BY GARETH PORTER

*Assistant Professor of International Service, American University*

**D**URING the 1960's, the People's Republic of China was the foremost challenger of American power in Southeast Asia and the chief supporter of armed struggle there. But today, Vietnam—the strongest socialist state in Southeast Asia—is the focus of China's hostility. In this transition, China's role as a regional power has changed: China has acquired greater diplomatic clout than ever before with regard to Kampuchea (Cambodia), but its potential for intervention or influence beyond Kampuchea has radically diminished.

Since its political break with Hanoi in 1978, China's Southeast Asian policy has revolved around four major political and security objectives: weakening and isolating Vietnam; preventing Vietnamese hegemony over Kampuchea and, possibly, Laos; containing Soviet influence in the region; and preventing the Association of Southeast Asian Nations (ASEAN) from reaching an accommodation with Vietnam.

China's policy objectives have not always been mutually reinforcing or consistent; at crucial moments they have been contradictory, forcing Chinese leaders to risk China's interests with regard to Kampuchea and the containment of Soviet influence in the pursuit of its drive to punish Vietnam.

Of all the Southeast Asian states, Vietnam has traditionally had the closest relationship with China. Moving troops to Vietnam through two mountain passes with relative ease, China found Vietnam the natural object of its expansionism. One thousand years of Chinese rule gave Vietnam Chinese-style political institutions and a veneer of Chinese culture—the foundation of a psychologically complex relationship.

<sup>1</sup>On the issue of ethnic Chinese in the Sino-Vietnamese conflict, see Pao-min Chang, "The Sino-Vietnamese Dispute over the Ethnic Chinese," *China Quarterly*, June, 1982, pp. 195–230; and Gareth Porter, "Vietnam's Ethnic Chinese and the Sino-Vietnamese Conflict," *Bulletin of Concerned Asian Scholars*, vol. 12, no. 4 (October–December, 1980), pp. 55–60.

<sup>2</sup>Interview with a Chinese official, Washington, D.C., March 23, 1981.

<sup>3</sup>See "Facts About Sino-Vietnamese Relations (1): Mainstream of the History of Sino-Vietnamese Relations," *Beijing Review*, October 12, 1981, p. 18.

The common struggle of Communist regimes in China and Vietnam against French and American forces and the Vietnamese dependence on Chinese Communist experience in the early years of independence recreated a Sino-Vietnamese relationship that was close and, in some sense, hierarchical.

In this context, and especially in light of China's heavy material sacrifice in support of North Vietnam during the Vietnam War, China's leaders expected Vietnam's leaders to respect Chinese interests and to avoid openly hostile behavior.

Instead, the Vietnamese withdrew their earlier recognition of Chinese claims to the Spratly and Paracel islands in the South China Sea, claimed two-thirds of the Gulf of Tonkin in 1974, and occupied a key island in the Spratlys in 1975. After 1975, Hanoi refused to consult with the Chinese on the question of the ethnic Chinese in South Vietnam, despite a 1956 agreement between the two Communist parties. And finally, in 1977, the Vietnamese began forcing border area Chinese who rejected Vietnamese citizenship either to move to the interior or to move to China. Tens of thousands of ethnic Chinese in the border provinces moved into China in the spring of 1978, as rumors spread of war between China and Vietnam.<sup>1</sup>

The Chinese were outraged at this "betrayal" of Sino-Vietnamese friendship, a betrayal that they believed was due in large part to the Soviet Union's ability to offer the Vietnamese more postwar economic assistance.<sup>2</sup> China's frequent invocation of Vietnamese "ingratitude" and "returning evil for good" suggests the importance of frustrated Chinese expectations in subsequent Chinese policy decisions on Vietnam.<sup>3</sup>

In 1978, Dictator Pol Pot's Democratic Kampuchea was engaged in a border war with Vietnam that was rapidly escalating. The Vietnamese proposals—mutual withdrawal of troops to points five miles from the Kampuchean-Vietnamese border, an international presence on the border to insure that neither side moved its troops forward, and negotiations on a border agreement—could have avoided the risk of a destabilizing Vietnamese military move. Yet China

ignored the Vietnamese proposal and chose to increase military assistance to Pol Pot while publicly rejecting any negotiated solution to the conflict.<sup>4</sup> Clearly, China's desire to maintain Kampuchea's independence from Vietnam was in conflict with China's desire to make Vietnam pay for its betrayal.

It may be argued that China was so distrustful of Hanoi that it did not believe anything could come of the Vietnamese proposal, just as Pol Pot himself was convinced that negotiations would be fruitless. But distrust that eliminates the possibility of conflict reduction is in effect a policy choice in favor of escalated conflict.

Beijing may have miscalculated the Vietnamese response to Pol Pot's military pressure, but when Vietnam began to prepare for an invasion of Kampuchea, China made no effort through diplomacy to reverse the process of escalation. On the contrary, de facto leader Deng Xiaoping stated that he expected Vietnam to conquer Kampuchea and hoped that the conquest would expose Vietnamese intentions in the region.<sup>5</sup> When diplomats from ASEAN asked China about the possibility of a Vietnamese invasion of Kampuchea, they were told that China would not interfere, because it wanted to insure that the Vietnamese would be weakened economically.<sup>6</sup> Deng's strategy thus treated Kampuchea as a pawn whose loss to the Vietnamese in the short run would be balanced by the long-term bleeding and isolation of Hanoi.

In the summer of 1978, the Chinese set their campaign to isolate Vietnam in the broader context of Soviet global strategy, suggesting that Vietnam was

<sup>4</sup>The text of the Vietnamese proposal is contained in "SRV Government Releases Statement on Vietnam-Kampuchea Relations," Vietnam News Agency, February 5, 1978, in Foreign Broadcast Information Service, *Asia and Pacific* (hereafter FBIS), February 6, 1978, pp. K6-8. On China's military aid to Pol Pot in the weeks after the Vietnamese proposal, see Marian K. Leighton, "Perspectives on the Vietnam-Cambodia Conflict," *Asian Affairs*, vol. 8, no. 1, p. 451.

<sup>5</sup>Nayan Chanda, "Cambodia: Waiting for the Inevitable," *Far Eastern Economic Review*, November 24, 1978, p. 10.

<sup>6</sup>This was later disclosed by Thai Foreign Ministry spokesman Chet Sucharaitkun, *Bangkok Post*, August 22, 1982. Deng later told Prince Norodom Sihanouk that the war in Kampuchea could go on for as long as 20 years. See *The New York Times*, February 9, 1979.

<sup>7</sup>Jimmy Carter, *Keeping Faith: Memoirs of a President* (New York: Bantam Books, 1982), p. 194.

<sup>8</sup>After the invasion, China emphasized the invasion's global implications rather than its parochial character, arguing that the "backside of the tiger can be touched."

<sup>9</sup>Interview with a Chinese official, Washington, D.C., March 23, 1981. In 1978, Deng had argued that a Soviet military base in Vietnam would threaten the "United States, Japan and other Asian nations, but not China." *People's Daily*, December 30, 1978.

<sup>10</sup>*Far Eastern Economic Review*, December 21, 1980; for a similar comment by Deng, see his interview in the *Washington Post*, September 1, 1980.

the "Cuba of the East," whose anti-Chinese actions were instigated by Moscow. But Vietnamese foreign policy from 1975 to 1978 had moved away from a tight economic and military alignment with the Soviet Union. Vietnam rejected Soviet invitations to join the Council for Mutual Economic Assistance (COMECON) as a full member; at the same time, it joined the capitalist-sponsored World Bank and the International Monetary Fund (IMF); it tried to obtain major foreign loans and investments from capitalist countries and sought full trade and diplomatic relations with the United States. As late as January, 1978, Chinese officials acknowledged that Vietnam was still able to maneuver between the Communist giants; China encouraged the United States to normalize relations with Hanoi in order to limit Soviet influence there.<sup>7</sup>

Pressing Hanoi to recant its anti-Chinese attitudes and limiting Soviet strategic access to Vietnam were contradictory, not compatible, interests. Chinese moves toward a complete break with Vietnam pushed Hanoi into a closer relationship with the Soviet Union. China's strategic choice was thrown into sharp relief by the signing of the Soviet-Vietnamese Treaty of Friendship in November, 1978. Deng Xiaoping's proposal to the Central Committee in December that China should carry out a punitive military invasion of Vietnam in response to the Vietnamese occupation of Kampuchea appears to have provoked fears on the part of some party officials that the Vietnamese would respond by giving the Soviet Union access to the Cam Ranh Bay naval base.<sup>8</sup>

Immediately after the Chinese punitive invasion of Vietnam in February, 1979, the Soviet Union began its military buildup at Cam Ranh Bay. That buildup was a serious concern of the Chinese military, openly expressed in conversations with their American counterparts. Nevertheless, Chinese diplomats insisted that the Soviet Union could not encircle China by using a naval base in Vietnam, and maintained that the more important issue was the future of Kampuchea.<sup>9</sup> That argument not only justified Deng's decision to go to war against Vietnam but set the priorities for future Chinese diplomacy: accept the existence of Soviet military power and "bleed" Vietnam by maintaining the threat of invasion on the border.

In the early 1980's China continued to see the Vietnamese occupation of Kampuchea as a means of weakening and isolating Hanoi. Deng declared that it was "wise for China to force the Vietnamese to stay in Cambodia, because that way they will suffer more and more."<sup>10</sup> China opposed any effort to negotiate with the Vietnamese on troop withdrawal from Kampuchea, arguing that negotiations were "impractical" until the Soviet Union cut off its aid to Hanoi.

Chinese officials engaged in a highly visible diplomatic conflict with ASEAN at the 1981 International Conference on Kampuchea in order to head off any



move toward negotiation. The Chinese delegation argued vehemently against a proposed ASEAN draft resolution that called for disarming the Khmer Rouge troops and other factions and for negotiations on an interim administration for Kampuchea.<sup>11</sup> By upholding the Khmer Rouge claim to authority, Beijing was insuring that there could be no political compromise with the Vietnamese.

Chinese officials have moderated their rhetoric on Indochina in recent years, saying that they are no longer interested in "bleeding" Vietnam by keeping Vietnamese troops bogged down in Kampuchea. But Chinese hostility toward Vietnam and the substance of Chinese policy toward Kampuchea and Vietnam remain unchanged.<sup>12</sup>

The Chinese position on Kampuchea, reflected in the Chinese Foreign Ministry's March, 1983, statement, is that the Vietnamese must agree to withdraw "unconditionally" and must begin the withdrawal before Beijing will discuss the normalization of relations with Hanoi. The proposal not only rules out negotiations between Vietnam and China on the Kampuchean issue; it also rules out any international negotiation to bring about a settlement that would exclude the Khmer Rouge.<sup>13</sup>

According to a well-informed ASEAN diplomat, China received a secret message from the Vietnamese in 1985 asking for a meeting on Kampuchea, but China refused. ASEAN officials were told that the Vietnamese are "not ready to negotiate."<sup>14</sup> A Chinese diplomat, however, put it more bluntly: China "will not negotiate with Vietnam on Cambodia." The Vietnamese will have to negotiate with Thailand. Bangkok, meanwhile, takes its diplomatic cues from Beijing.

The Chinese now supply arms to all three Khmer resistance factions and assert that they have no interest in returning the Khmer Rouge to power in Kampuchea. Most Chinese arms, however, go to the Khmer Rouge, who are regarded by China as the only serious anti-Vietnamese force inside Kampuchea. The Chinese are aware that Vietnamese compliance with the Chinese demand for unconditional withdrawal would make the Khmer Rouge the strongest force in the country. A

Chinese diplomat acknowledges that any future elections held under these conditions would reflect the military predominance of the Khmer Rouge.

Chinese officials do not expect the Vietnamese to agree to withdraw unconditionally. Nor are they particularly hopeful about the prospects for the Kampuchean resistance forces. But China asserts that the Vietnamese will not be able to destroy the resistance; thus, the political and economic isolation of Vietnam from the rest of the world can continue indefinitely.<sup>15</sup>

In order to continue to isolate Vietnam, Beijing needs the diplomatic support of ASEAN, the United States and Japan. If the United States and Japan were to reach their own accommodation with Vietnam and establish normal diplomatic and trade relations, the Chinese strategy would fail. In the early 1980's, China and the United States were working in concert to "bleed" Vietnam; while the United States has put some distance between United States and Chinese strategy in recent years, the United States still refrains from public criticism of Chinese policy and does not ask the Chinese to negotiate with Vietnam. Even so, Beijing remains sensitive to a shift in United States policy toward Vietnam, and is disturbed each time the United States sends a mission to Hanoi to discuss the issue of American soldiers missing in action (MIA's) in the Vietnam War.

The Chinese continue to make the ending of Soviet support for Vietnam's occupation of Kampuchea one of the three conditions for normalization of relations between China and the Soviet Union. Meanwhile, the Chinese view of the Soviet Union has moderated substantially; and China's Vietnam policy has become even more detached from its policy toward the Soviet Union.

## CHINA AND ASEAN

China's effort to keep ASEAN from pursuing negotiations with Vietnam was substantially eased by the creation of the Coalition Government of Democratic Kampuchea in 1982. The Chinese were skeptical about any coalition government that diluted Khmer Rouge leadership of the resistance, but by 1981 they were concerned, along with Thailand and Singapore, that Western support for the seating of the Democratic Kampuchean delegation at the United Nations General Assembly was eroding. China understood that grafting Prince Norodom Sihanouk and former Prime Minister Son Sann onto the Khmer Rouge would provide the Khmer Rouge with much-needed legitimacy and would thus help insure the continuation of the diplomatic and economic isolation of Vietnam. So China and Thailand applied irresistible pressure on the non-Communist Kampuchean leaders to join the Khmer Rouge by threatening to cut off arms and access to the border.<sup>16</sup>

The coalition also constrains the non-Communist

<sup>11</sup>Gareth Porter, "Kampuchea Conference: Cracks in the Coalition," *Indochina Issues*, July, 1981.

<sup>12</sup>One Chinese diplomat, interviewed in early 1986, said that Chinese anger toward Hanoi remains intact because, "We gave the Vietnamese billions in aid during the war, but after the war they returned evil for good." Interview with a Chinese diplomat, Washington, D.C., March 13, 1986.

<sup>13</sup>"Foreign Ministry Statement," *Beijing Review*, March 7, 1983, pp. 15-16.

<sup>14</sup>Interview with an ASEAN diplomat, Washington, D.C., October 24, 1985.

<sup>15</sup>Interview with a Chinese diplomat, Washington, D.C., March 13, 1986.

<sup>16</sup>See Jacques Bekaert, "Kampuchea's 'Loose Coalition': A Shotgun Wedding," *Indochina Issues*, no. 22 (December, 1981); *Nation Review* (Bangkok), March 13, 1982.

Khmers, ASEAN and the United States from taking any initiative opening the way to a peace settlement that would exclude the Khmer Rouge. In 1982, Sihanouk, who had previously made no secret of his desire to negotiate a peace agreement with Hanoi, confessed that he could not negotiate without the approval of his coalition partners and that "the Khmer Rouge and China will never allow me to have a conversation."<sup>17</sup>

The ASEAN states embraced the coalition idea in part because of Thai-Singaporean calculations but also because Malaysia saw the coalition as a vehicle for giving military assistance to a non-Communist resistance force. Instead, the Khmer Rouge has remained the dominant element in the coalition. Most ASEAN states oppose the Khmer Rouge's return to power but have come to accept the idea that they cannot demand the expulsion of the Khmer Rouge from the resistance or from the final settlement. Instead, they want China to force Pol Pot and other Khmer Rouge leaders into retirement in order to make the Khmer Rouge more palatable. The Chinese have no intention, however, of decapitating the Khmer Rouge, an action that they believe would reduce its effectiveness.

The first coalition "peace proposal," in March, 1986, illustrates how Beijing has exploited the coalition to defuse pressure for negotiations. The eight-point plan, which United States analysts believe was initiated by the Chinese, would include the Vietnam-sponsored Heng Samrin regime in negotiations on Kampuchea's political future after a Vietnamese withdrawal. However, it would also legitimize a Khmer Rouge role in negotiating a settlement, while allowing the Khmer Rouge army of between 25,000 and 40,000 well-armed men to exert its influence on the outcome.<sup>18</sup> The proposal, which represented a major concession to the Khmer Rouge and was clearly not palatable to Hanoi, was nevertheless supported by the ASEAN foreign ministers. In effect, ASEAN's position on Kampuchea is pegged to support for the Khmer Rouge-dominated coalition.

Thailand has played a key role in Chinese policy toward the region ever since Sino-Vietnamese ten-

<sup>17</sup>Interview with the author, New York, October 23, 1982.

<sup>18</sup>*Voice of Democratic Kampuchea*, March 17, 1986, in FBIS, March 18, 1986, pp. K3-4.

<sup>19</sup>Sarasin Viraphol, "National Threat Perceptions: Explaining the Thai Case," in Charles Morrison, ed., *Threats to Security in East Asia-Pacific* (Lexington, Mass.: Lexington Books, 1983), pp. 150-151.

<sup>20</sup>*Frankfurter Allgemeine Zeitung*, April 1, 1985; *The Nation*, November 17 and 19, 1985; *Matichon* (Bangkok), November 21, 1985.

<sup>21</sup>A sense of powerlessness on the Kampuchea issue in the face of Chinese initiatives and assets within the country has been expressed by ASEAN Singaporean, Malaysian and Indonesian diplomats in conversations with the author over the past few years.

sions began to develop. China's leaders, viewing Thailand as a natural ally of Pol Pot's regime in containing Vietnamese influence, have used their influence to persuade Bangkok to commit itself to the support of Pol Pot and to adopt a no-compromise diplomatic posture toward Vietnam. By 1980, the Chinese had established a close security relationship with Thailand, based on Chinese pledges to use force against Vietnam in the event of a Vietnamese invasion and an implicit commitment to reduce Chinese assistance to the Thai Communist insurgency. The Thai leadership understood that the quid pro quo for these security benefits was Thai cooperation with China's strategy in Kampuchea.<sup>19</sup>

In the early and mid-1980's, the Sino-Thai security relationship continued to develop. In 1982, Chinese officials proposed a joint Sino-Thai arms production project, which was then so politically sensitive that the Chinese urged Bangkok to "take your time in examining the proposal." By late 1985, the two governments had agreed not only on coproduction of certain armaments but on military aid, beginning with the shipment of 24 model-59 Chinese tanks.<sup>20</sup>

Not even China's failure to respond with force to relatively deep Vietnamese incursions into Thailand during the 1985 Kampuchean dry season offensive (which caused some grumbling about Chinese credibility) could slow the momentum of the burgeoning Sino-Thai relationship. Because China can still force Vietnam to prepare for war on its northern border and can help keep Vietnam internationally isolated, Thailand's security ties with Beijing seem firm.

China's single-minded determination to keep the Kampuchean resistance forces fighting the Vietnamese and to prevent any diplomatic breakout by Hanoi has compelled non-Communist Southeast Asia to acknowledge China's dominant influence on the Kampuchean issue. Singapore, Malaysia and Indonesia are resigned to the fact that China can veto any settlement in Kampuchea, and they admit that the ASEAN states can have little impact on the outcome.<sup>21</sup> Moreover, Malaysia and Indonesia, who do not share the Thai assessment of a threat from Vietnam, have had to go along with Chinese strategy, because they must maintain solidarity with Bangkok. The net result is that China has been able to parlay its security relationship with Thailand into a veto over ASEAN diplomacy on Kampuchea.

(Continued on page 278)

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**Gareth Porter** is the author of *A Peace Denied: The United States, Vietnam and the Paris Agreement* (Bloomington: Indiana University Press, 1975), and the editor of *Vietnam: A History in Documents* (New York: New American Library, 1980). He is currently working on a study of insurgency and counterinsurgency in the Philippines.

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*As China's largest trading partner, Japan continues to play an important role in China's economic reform program, providing "not only . . . financial assistance but also . . . technical aid and technological transfer." The authors report that China's current trade deficit with Japan has led to a few political and economic difficulties, but "the future of Sino-Japanese relations appears generally favorable."*

# The Development of Sino-Japanese Relations

BY RICHARD K. NANTO

*Director, Industry Analysis and Finance Section, Congressional Research Service  
and*

HONG N. KIM

*Professor of Political Science, West Virginia University*

SINCE the death of China's Chairman Mao Zedong on September 9, 1976, there has been a significant change in Sino-Japanese relations. A long-term, \$20-billion trade agreement covering 1978-1985 was signed on February 16, 1978; a Sino-Japanese peace treaty was concluded on August 12, 1978. Establishing a solid legal foundation for China and Japan's reconciliation, the treaty ushered in a new era of diplomatic relations. The first major treaty containing the "antihegemony" clause, it represented a Chinese victory over the Soviet Union in the race to court Japan.

Chinese leaders also expressed their support for the United States-Japanese security treaty and endorsed Japan's right to strengthen its self-defense capability. Beijing's decision not to renew the Sino-Soviet pact (containing an "anti-Japan" clause) after 1980 was another welcome development for Japan. In addition, the full-fledged normalization of Sino-American diplomatic relations effective on January 1, 1979, removed Japan's lingering uneasiness about forging closer ties with China. Japan's willingness to provide economic assistance to China was also important. Japan promised to provide \$1.5 billion in official development loans and \$2 billion in credits from the Japanese Export-Import Bank (Ex-Im Bank) in 1979.<sup>1</sup>

Beginning in 1980, Beijing and Tokyo agreed to hold annual working-level consultations and regular ministerial meetings to discuss problems of common interest. The first such meeting took place in Tokyo on March 30-31, 1982. In addition to exchanging views on international issues, the meeting paved the way for Chinese Prime Minister Zhao Ziyang's visit to Japan in the summer of 1982.

During his visit to Japan, Prime Minister Zhao and Japanese Prime Minister Zenko Suzuki agreed on the principles that were to govern bilateral relations in the 1980's: peace and friendship, equality and mutual benefit, and long-term stability. Zhao reiterated China's opposition to Soviet hegemonism and the Vietnamese occupation of Kampuchea (Cambodia). Suzuki replied that Japan and China shared similar views on such issues as the Soviet invasion of Afghanistan and the Vietnamese occupation of Kampuchea. With regard to the Korean peninsula, Zhao declared that North Korea would not invade South Korea.

Zhao's visit left officials of both governments satisfied. Japanese officials were positive in their assessment of the bilateral relationship. They believed that there was no major unsettled problem between the two countries. This optimistic assessment of the Sino-Japanese relationship, however, was shattered by a textbook dispute.

The controversy followed the disclosure in June, 1982, that the new Japanese high school textbooks, approved by the Japanese Ministry of Education, drastically revised passages dealing with Japan's military and colonial activities in China and Korea before and during World War II. The new textbooks replaced the word for "invasion" with a euphemistic term translated as "advance." In addition, the texts downplayed Japanese responsibility in the so-called Rape of Nanking in 1937 (in which some 200,000 Chinese were massacred) and suggested that the incident might have been provoked by heavy Chinese resistance.<sup>2</sup>

In a series of editorials, the Chinese Communist party newspaper *Renmin ribao* declared that the revisions had been made by Japanese "militarists," whose "distortion of history could not dispel the painful memories of their aggression, killing, torture and plunder from the minds of the Chinese people." It labeled the Japanese action "a hostile and insulting stand toward China."<sup>3</sup>

<sup>1</sup>For a detailed analysis see Hong N. Kim, "Japan's China Policy since the Peace Treaty of 1978," *Asia Pacific Community*, Summer, 1984, pp. 61-62.

<sup>2</sup>*Asahi Shimbun* (Tokyo), July 21 and 27, 1982.

<sup>3</sup>Cited in *Beijing Review*, August 2, 1982, pp. 10-11.

The controversial textbook issue was settled by the beginning of September, 1982, when Beijing accepted the Japanese government's plan to revise the disputed textbooks within two years following new guidelines to be provided by the Textbook Problems Research Council. Meanwhile, as a stopgap measure, supplementary guidelines provided by the Education Ministry would accompany the textbooks.

The settlement of the textbook issue paved the way for Prime Minister Suzuki's visit to China in September, 1982, planned to coincide with the tenth anniversary of the normalization of Sino-Japanese relations. In a series of meetings with Chinese leaders, Suzuki tried to persuade the Chinese that Japan would not become a military power. "We must keep our defense power to the minimum necessary," he told China's de facto leader, Deng Xiaoping. "This is supported by an overwhelming majority of the people," he added. "Therefore, there is absolutely no possibility of a revival of militarism."<sup>4</sup> The Chinese apparently accepted these assurances.

Thus a shift in China's foreign policy became evident at the twelfth party congress of the Chinese Communist party in September, 1982. Instead of advocating a global united front with the United States, Japan and West European countries against Soviet "hegemonism," China decided to adopt a more flexible "independent foreign policy" toward both the Soviet Union and the United States.<sup>5</sup> Beijing was no longer willing to sacrifice or subordinate its vital interests for the sake of a grand anti-Soviet coalition. Under the banner of "independent foreign policy," China wanted to reduce tensions with the Soviet Union and to cultivate better relations with other countries in the third world, while relying less on the United States, Japan and other Western countries. China no longer regarded the unlimited rearmament of Japan as a desirable counterweight to the Soviet Union. On the contrary, heavy Japanese rearmament was regarded as undesirable, because it would increase tension in East Asia.<sup>6</sup>

In this context, Beijing was uneasy about the inauguration of the Japanese government headed by Prime Minister Yasuhiro Nakasone in November, 1982, because Nakasone's more hawkish stance on foreign and defense policies was fairly well-known. After Nakasone's visit to Seoul and Washington in January, 1983, China indicated its displeasure at Nakasone's foreign policy, charging in part that the visits were designed

to strengthen a military alliance among Japan, South Korea and the United States. China criticized Nakasone's offer of \$4 billion in economic aid to Seoul, and expressed its concern over Nakasone's defense policy.

In an apparent move to alleviate Beijing's apprehension, Nakasone dispatched Liberal Democratic party Secretary General Susumu Nikaido to Beijing in February, 1983; Nikaido told the Chinese that the Nakasone government's defense policy was not different from that of its predecessors and that the Nakasone government was as friendly toward China as its predecessor. Nikaido also conveyed his government's willingness to study the Chinese request for additional long-term Japanese economic aid starting from 1984.

The fact that Japan's defense policy was no longer an issue in Sino-Japanese relations became evident during Chinese Communist party General Secretary Hu Yaobang's eight-day visit to Japan in November, 1983. In an attempt to allay Chinese apprehension about the revival of Japanese militarism, Nakasone affirmed his government's adherence to the existing Japanese constitution and to a military policy designed strictly for defensive purposes. Hu responded that China was confident that Japan would never invade China, even if Japan's defense capability were expanded.

In his talks with Japanese leaders, Hu made it clear that China was counting heavily on economic assistance from Japan. Although the subject was discussed only generally, further bilateral negotiations were to take place after the completion of Japan's feasibility studies on the key projects China was to launch beginning in 1984. Japanese government and business leaders promised to cooperate fully with China for the realization of Beijing's "four modernizations" program.

On March 23, 1984, Prime Minister Nakasone arrived in Beijing, where he received a colorful welcome, including an unprecedented 19-gun salute. In his talks with Prime Minister Zhao, Nakasone promised to provide China with a second economic aid package totaling 470 billion yen (or \$2.1 billion) in official development loans for seven years (1984-1990) to help finance the construction of seven key projects proposed by China. Nakasone also promised to offer additional Ex-Im Bank of Japan loans to China for the development of Chinese energy resources.

In their discussion of the international situation, Zhao reiterated Beijing's position that "the main threat" to China's security came from the Soviet Union. He also reaffirmed China's demand that the Soviet Union reduce its military threat to China, including Soviet deployment of intermediate-range missiles (i.e., SS-20's) in Asia. After expressing their serious concern over the Soviet military buildup in Asia, both Prime Ministers agreed to exchange information about Soviet military activities. Furthermore, both sides

<sup>4</sup>*Asahi Shimbun*, September 29, 1982.

<sup>5</sup>Youlin Mu, "More on China's Independent Diplomacy," *Beijing Review*, January 30, 1984, pp. 4-5. See also Harry Harding, "Change and Continuity in Chinese Foreign Policy," *Problems of Communism*, March-April, 1983, pp. 8-11.

<sup>6</sup>Edmund Lee (pseudonym), "China's Balancing Act," *Foreign Policy*, no. 51 (Summer, 1983), pp. 30-31.



reaffirmed that their positions on the Vietnamese occupation of Kampuchea were "identical."

Finally, the Chinese and Japanese leaders agreed that to create more favorable conditions for Sino-Japanese economic and technical cooperation, they had to conclude an investment protection agreement. The Chinese promised Nakasone that Beijing would enact legislation necessary for the protection of foreign investment in China. Nakasone, in turn, assured the Chinese that Japan would cooperate more fully with China in future Chinese modernization programs.

## TRENDS IN TRADE

Following the normalization of China's relations with Japan in 1972, the total trade between the two countries grew over the next eight years at the astounding rate of 31 percent per year. The trade balances favored Japan, but China's deficits with Japan were kept to manageable proportions and were often offset by surpluses elsewhere. The expansion in trade came to an abrupt halt in the early 1980's, as Chinese curbs on foreign exchange and imports affected purchases from Japan.

Imports from Japan did not recover until 1984, when the Chinese government attempted to dampen domestic inflationary pressures by importing more consumer goods. Its first steps toward partial liberalization of currency markets also put more foreign exchange into the hands of importers in special economic zones, who looked to Japan as a ready source of supply for badly needed (and highly profitable) products. In 1984, imports from Japan jumped 47 percent, and Chinese purchases of machinery and equipment (including consumer electronics and automobiles) outdistanced steel for the first time. This growth in imports continued into 1985. And before the Chinese authorities could reassert their control over the import whirlwind, China's trade deficit with Japan had soared to nearly \$6 billion and was accounting for the bulk of the country's \$7.6-billion overall (official) trade deficit. China was importing twice as much from Japan as it was exporting to Japan, and foreign exchange reserves were dropping precipitously.

Chinese authorities reacted to the worsening foreign trade balance by curtailing imports and pro-

moting exports. Without warning, China imposed a temporary freeze on foreign exchange in March, 1985. Deng Xiaoping was quoted as saying that while China could suffer a deficit in its trade for two years, it certainly would not be able to sustain such a deficit for a third year.<sup>7</sup> The third year is 1986.

Meanwhile, Japan's ever-increasing economic presence in China, coupled with China's huge trade deficit, precipitated anti-Japanese student demonstrations. On September 18, 1985, the fifty-fourth anniversary of Japan's invasion of China, about 1,000 students staged demonstrations at Tienanmen Square in Beijing to protest Japan's "economic invasion" and its alleged revival of militarism.<sup>8</sup> Similar demonstrations followed in Xian, Chengdu and other urban centers.

On the surface, the sporadic, unauthorized student demonstrations were directed against the "second Japanese invasion," but behind them smoldered deeper frustrations stemming from student dissatisfaction with China's economic reforms and its Open Door policy. Beijing's economic policies had created adverse by-products, like rising prices for consumer goods, a flooding of the market with competitive foreign imports, and domestic corruption.

To be sure, the anti-Japanese student demonstrations were precipitated by Prime Minister Nakasone's official visit to the Yasukuni Shrine a month earlier. The shrine honors the memory not only of the more than 2.4 million Japanese war dead but also of General Hideki Tojo and 13 other major war criminals convicted after World War II. The Prime Minister's unprecedented visit to the shrine with members of his Cabinet angered Chinese officials and was regarded by students as a move designed to revive militarism in Japan.

Beijing was aware that the student demonstrations challenged the government's Open Door policy and threatened to tarnish the regime's patriotic image. To cope with the demonstrators, the party leadership mobilized many high-ranking veterans of the prewar, anti-Japanese resistance movement to persuade the students to devote their energies to China's modernization and to understand the necessity for the Open Door policy—including close Sino-Japanese economic cooperation. Second, they requested Japan's self-restraint and cooperation in order to avoid inflaming anti-Japanese sentiments.<sup>9</sup>

At the Sino-Japanese foreign ministers' conference held in Beijing in October, 1985, Chinese leaders expressed their concern about the anti-Japanese demonstrations, urging the visiting Japanese to understand "the sentiments of the Chinese people" and not to aggravate the situation. In an apparent move to placate the Chinese, Prime Minister Nakasone canceled a scheduled second visit to the Yasukuni Shrine.<sup>10</sup>

While these measures have temporarily calmed the

<sup>7</sup>Robert Thompson, "Deng Gives Japan Tough Warning on Need to Balance Trade," *Financial Times* (London), December 4, 1985, p. 4.

<sup>8</sup>Chihiro Kato, "Daigaksei o kakeri tateta 'Han Yasukuni' no Jika Suimyaku," *Asahi Janaru*, October 11, 1985, pp. 6-9. See also Richard Nation and Mary Lee, "The Second Invasion," *Far Eastern Economic Review* (FEER), October 24, 1985, pp. 15-16.

<sup>9</sup>Mary Lee, "Winter of Discontent," *FEER*, December 5, 1985, p. 16. See also Richard Nation, "The Japan Herring," *FEER*, January 9, 1986, pp. 10-11.

<sup>10</sup>"The Japan Herring," p. 11. See also *Asahi Shimbun*, October 11, 1985.

political fury, the imbalance in trade remains. As other trading partners of Japan have learned, the reality of balancing bilateral trade is much more difficult in practice than protest slogans indicate.

For example, during the window of liberalization in 1984–1985, enterprises in China imported more than 100 assembly lines for television receivers. Most of these will require a supply of Japanese-made parts to operate. Even the Fuzhou Hitachi plant, which has been manufacturing television sets in China since 1981, must import 35 to 70 percent of its parts and labor. China's modernization plans, moreover, will continue to require sophisticated machinery from Japan. And although imports of consumer products, like passenger cars and videocassette recorders, might be easily curtailed, the consumer demand for them cannot be curbed by fiat.

The current and severe retrenchment in China's foreign trade appears to be another turn in the tortuous process of injecting new life into an economy that had become somewhat moribund after years of economic isolation and heavy political control. Events in China, however, increasingly point toward the ascendancy of economics over politics. As Zhou Enlai stated repeatedly, "nobody can stop the tide of history." And the march of the Chinese economy toward liberalization is apparently part of that tide.

## TRADE STRUCTURE

The Chinese would like to shift away from their reliance on exports of energy and food products to Japan and toward exports of manufactured goods. However, the structure of Sino-Japanese trade continues to rely on the exchange of raw materials for high-technology items.

In 1985, crude oil and petroleum products accounted for 43 percent (\$2.78 billion) of China's exports to Japan. This trade had been planned in the long-term trade agreement signed in 1978, which expired in 1985. Ultimately, the two countries agreed that Japan would take an additional 800,000 tons of petroleum per year.

A question of price remains, however. In 1985, the average price per barrel of Chinese crude oil shipped to Japan fell by about 6 percent.<sup>11</sup> For every dollar per barrel drop in the price of oil, China loses more than \$250 million in the value of its petroleum exports to Japan. The country faces the same dilemma faced by other oil-exporting nations. Increasing exports to offset declining prices only weakens those prices further. Prices are also sagging on Chinese coal exports.

Other major exports to Japan include foodstuffs (\$930 million, with 2.5 million tons of maize); textile products (\$960 million), and textile materials (\$350 million).

On the opposite side of the ledger, of the \$12.5 billion in imports from Japan in 1985, the largest category (36 percent) consisted of industrial machinery and electrical equipment (\$4.5 billion). Although contracts for imports of turnkey plants have dropped from the 1978–1979 period, in 1985 Guangzhou contracted for two thermal power plants from Japan, and many enterprises have bought assembly lines for various products. The import of consumer durables has grown most rapidly. Imports of television receivers from Japan rose fivefold in 1984 and trebled to \$1 billion in 1985 before restrictions were announced.

The second largest import category included steel and steel products (\$3.2 billion). The record 11 million tons of steel imported from Japan accounted for one-fourth of all Chinese imports and one-third of Japan's total steel exports. This strong Chinese demand for steel reflects a surge in construction and in the production of automobiles and consumer goods. The burden of the \$3-billion import bill for steel from Japan, however, made the kindling of the number 1 furnace of the Baoshan steel complex in November, 1985, timely.

Other major imports from Japan include chemical products (\$710 million) (half of which were plastics) and textile products (\$470 million)—particularly acrylic fiber and polyester and nylon filaments. These imports of synthetics reflect the growing trend in Chinese society toward wearing suits and high-fashion products.<sup>12</sup>

Unfortunately for China, the current pattern of exporting raw materials to Japan in return for imports of manufactured goods tends to generate a bilateral trade deficit. In China, there is an almost insatiable demand for Japanese products like automobiles, machinery and videocassette recorders, while in Japan, the demand for China's food and raw materials is steady but limited. In order to balance trade, China is insisting that Japan accept more Chinese manufactured products. Current policy in China calls for pushing the export of light industrial and textile products; electrical machinery output is to be "emphatically developed" for export.

Indeed, a potential "boomerang effect" originating from exports of manufacturing equipment and transfers of technology to China has been a growing concern in Japan. The Japanese fear that Chinese export products made with Japanese technology will be aimed at the Japanese domestic or overseas markets. Thus,

*(Continued on page 276)*

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**Richard K. Nanto** heads the industry analysis and finance section of the Congressional Research Service of the Library of Congress. **Hong N. Kim** is the editor of the *Political Studies Review* and the author of "Sino-Japanese Economic Relations," in United States Congress, Joint Economic Committee, *China's Economy in the Eighties* (Washington, D.C.: U.S. Government Printing Office, 1985).

<sup>11</sup>Joji Ishida, "Japan-China Trade in 1985," *China Newsletter*, no. 61 (March–April, 1986), p. 19.

<sup>12</sup>*Ibid.*, pp. 18–20.

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*Foreign trade is an integral part of China's economic reform program. "Between 1981 and 1985 . . . foreign trade grew by almost 80 percent. . . . In terms of the growth of total trade, the composition of that trade and the involvement with the world capitalist economy, China is developing a trade dynamism."*

## Understanding Chinese Trade

BY JOHN FRANKENSTEIN

*Associate Professor of International Studies, American Graduate School of International Management*

ONE billion consumers, endless demand, soaring growth—these are some of the popular visions conjured up by the seemingly limitless potential of trade with China. The basic numbers seem to reinforce those images: in 1985, Chinese trade volume totaled US\$69.62 billion, up 30 percent from the year before.<sup>1</sup>

Indeed, for the outside world trade with China is the most tangible manifestation of China's season of reform. Major Western firms like IBM, General Motors, Esso, Volkswagen, the Chase Manhattan Bank and Nabisco have established offices in Beijing and Shanghai, as have the omnipresent Japanese trading companies, the *sogoshosha*. The products of Chinese industry can be found not only on the shelves of discounters but also in upscale department stores—even Goldwater's, founded by the family of the Republican senator from Arizona, carries stylish men's clothing made in China.

But in its search for Cathay, international business has instead found the People's Republic. At the global level, Chinese foreign trade accounts for between 1 and 2 percent of world trade, which is approximately equivalent to the world trade shares held by Brazil or Singapore (the United States has a 13 percent share; Japan about 8 percent). In order to understand the China trade scene fully, it must be considered in several dimensions: the policy context; the trade data; and the future of trade.

<sup>1</sup>See note 13 for a discussion of China's trade figures. The major statistical compilations used for this essay are China, State Statistical Bureau, *Statistical Yearbook of China, 1985* (Hong Kong: Economic Information and Agency, 1985); James T. H. Tsao, *China's Economic Development Strategies and Their Effects on U.S. Trade* (Washington, D.C.: U.S. International Trade Commission, 1985); *China's Economy and Foreign Trade, 1981-85* (Washington, D.C.: U.S. Department of Commerce, 1984); *China: International Trade Annual Statistical Supplement* (Washington, D.C.: U.S. Central Intelligence Agency [CIA], March, 1985); *China: International Trade, Fourth Quarter, 1984* (Washington, D.C.: CIA, July, 1985); and "Regional Performance Figures," *ASIA 1986* (Hong Kong: Far Eastern Economic Review, 1986).

<sup>2</sup>*The Wall Street Journal*, June 10, 1986, p. 36.

<sup>3</sup>"Deng: Reform is 'Second Revolution,'" *Beijing Review*, vol. 28, no. 14 (April 8, 1985), p. 6.

Trade with China does not happen according to some set of autonomous laws of international economics. Rather, Chinese trade is part of a broader policy that the Chinese call the Open Door policy, which includes trade in merchandise and services and a growing involvement with the outside world: participation in international financial markets through bank loans and bonds; membership in international economic organizations like the World Bank, the International Monetary Fund, the Asian Development Bank and the General Agreement on Tariffs and Trade (GATT); and the establishment of so-called special economic zones in south China and "open coastal cities"—the old treaty ports—in which foreign investment (allowed elsewhere in China as well) receives special consideration.

According to the *China Daily* (Beijing), an English language newspaper aimed at foreign businesspeople, over the last six years \$16 billion in foreign investment has been pledged to China; \$4.8 billion has actually been invested, mostly in joint ventures.<sup>2</sup>

The Open Door itself is part of a larger constellation of post-Cultural Revolution policies and trends that affect virtually every sector of Chinese life. First termed "the four modernizations," the policies called for the modernization of the four key sectors of Chinese society—agriculture, industry, science and technology, and national defense—and for the quadrupling of national economic aggregates over the last quarter of the twentieth century.

The policies and strategies of the Chinese leadership have varied since the death of Chairman Mao Zedong in 1976. Hua Guofeng, Mao's immediate successor, stressed extensive growth with unbalanced, high investment in heavy industry, while Deng Xiaoping, who won out over Hua in late 1978, has implemented economic policies that permit balanced and intensive growth, decentralization and the introduction of market forces. But the overall goals and the recognized need for change have remained constant. Indeed, the changes are so sweeping that the man behind them, Deng Xiaoping, has called them a "Second Revolution."<sup>3</sup>

The scope of the "Second Revolution" should be

remembered.<sup>4</sup> Most important, in both the state and the party, older, more conservative officials have been removed in favor of younger, more technocratic cadres, a policy that has even extended to the People's Liberation Army, perhaps the last bastion of serious opposition to the reforms. A younger leadership group is being groomed for eventual succession to Deng, now in his 80's, and Prime Minister Zhao Ziyang, 69, and party General Secretary Hu Yaobang, 71. A serious attempt is being made to reformulate and redifferentiate the roles of state and party in management at all levels, with an emphasis on the expert role of managers. The regime stresses the importance of law and institutions, not personal rule.

All this is being played out before the great negative example of the chaotic Cultural Revolution, the policies of "Maoism" and a decline in real living standards over the last 20 years. The task, according to the Chinese, has shifted from class struggle to economic development. As Deng himself said in a speech to the national party conference in September, 1985:

For many years we suffered badly from one major error: We still took class struggle as the key link [and] we neglected to develop the productive forces.<sup>5</sup>

The regime has made the greatest changes in the economic sphere. The results have been gratifying: overall, annual growth has averaged over 12 percent since the early 1980's. Nineteen eighty-five was a particularly good year, with a total industrial output value of 875.9 billion yuan (approximately \$312 billion), up 18 percent over 1984, and total retail sales of 430.5 billion yuan, a 17.2 percent increase. The "total product of society," an aggregate measure of material production, was 1.62 trillion yuan, up 16.2 percent.<sup>6</sup>

In the countryside, where some 80 percent of China's one billion people reside, the agricultural communes have, for all intents and purposes, been disbanded in favor of "the responsibility system" of household production contracts and free markets. Agricultural output and peasant incomes have increased dramatically since the system was implemented in the late 1970's. According to official Chinese

statistics, between 1979 and 1984 agricultural output grew at an average annual rate of 9.4 percent, and peasant incomes grew at 15 percent.

Nonetheless, the Chinese peasant is not rich: official statistics indicate that in 1984, 69 percent of Chinese peasants lived in households with an annual per capita income of 150–400 yuan (roughly \$70–\$180); with an average income of 355 yuan (\$160). In 1985, agricultural output value was up 13 percent over 1984.

In the industrial sector, management reforms that place profit-and-loss responsibility on factory managers led to average annual growth (1979–1984) of almost 12 percent in consumer-oriented light industry, and 6.6 percent in heavy industry. Urban dwellers and factory workers have also seen a marked improvement in their living standards. Some of the advance is evident from a casual glance down a city street—even Beijing, the city of blue ants, presents a far more colorful scene today than it did a few years ago. Consumer durables are becoming more readily available. Incomes have risen as well—the average urban worker earned almost 1,200 yuan (about \$480) in 1985, up 54 percent from 1980.<sup>7</sup>

Thus the constellation of reforms has led to a degree of success. Most of the economic output goals of the sixth five year plan (1981–1985) were reached well before their target dates. The more modest goals of the new seventh five year plan (1986–1990) will probably also be overfulfilled.

In the Chinese political economy, foreign trade has been assigned a developmental role. The Chinese authorities consistently link foreign trade with technology transfer and economic development. "The main purpose of our policy of opening to the world," Vice Prime Minister Tian Jiyun, one of Deng Xiaoping's younger associates, said in a speech to a meeting of officials in Beijing in January, 1986,

is to import advanced foreign technologies and managerial expertise and attract foreign funds. In doing so, our ultimate aim is to improve the quality of our own products, to increase our capacity for self-reliance and to speed up China's modernization. . . .<sup>8</sup>

China's foreign trade and investment policies are thus not only part of an industrial development strategy, but they have a political aspect, for trade must also enhance two of the larger goals of the reforms: "self-reliance" (one of those loaded Chinese terms that can mean anything from the Open Door policy to xenophobic isolationism) and "modernization." Still, Tian justifies trade by pointing out that

whether a nation is developed or developing, it is worth its while to take part in international exchanges and [to] learn from others' strong points in order to add some impetus to its further development.<sup>9</sup>

Development is the key to the new seventh five year plan as well.<sup>10</sup> The plan's overall goal is "socialist

<sup>4</sup>Two excellent accounts of the reform process are Donald S. Zagoria, "China's Quiet Revolution," *Foreign Affairs*, vol. 62, no. 4 (1984), and Guocang Huan, *Journal of International Affairs*, vol. 39, no. 2 (1986).

<sup>5</sup>Foreign Broadcast Information Service, *China*, September 23, 1985, p. K9.

<sup>6</sup>See "Communiqué on the Statistics of 1985 Economic and Social Development," *Beijing Review*, March 24, 1986.

<sup>7</sup>Figures cited in Tian Jiyun, "On the Present Economic Situation and Restructuring of the Economy," *Beijing Review*, vol. 29, nos. 6 and 7 (February 10, 1986), p. 6.

<sup>8</sup>*Ibid.*, p. 12.

<sup>9</sup>*Ibid.*

<sup>10</sup>See "The Seventh Five-Year Plan of the People's Republic of China for Economic and Social Development, 1986–1990 (Excerpts)," *Beijing Review*, April 28, 1986.



modernization," based on "four basic principles." The first is to

give priority to reform and make sure that reform and development are adapted to and promote each other. Basically, reform is in the service of development. At present, however, development should be planned . . . to facilitate reform.

The second is balanced economic growth to "maintain an appropriate ratio of accumulation to consumption." The third is to "give top priority to improving economic results." And the fourth is to "build a socialist civilization that is advanced culturally and ideologically." In other words, "socialist modernization" means economic growth and diversity, guided by the political monopoly of the party.

As for foreign trade and the Open Door, China "should further promote trade and technological exchange with all other countries. . . ." However, the emphasis is on Chinese exports: "The key to implementing the open policy with an increased use of foreign funds and imported technology is to increase foreign exchange earnings through exports." Exports are to rise in technological content, quality and number; new markets are to be sought out, foreign loans and investment should "accelerate economic development." Furthermore, the plan calls for an import-substitution strategy.

These strategies are essentially conservative and nationalistic. The aim is not so much to develop export industries as it is to gain foreign exchange through exports and foreign investment to develop the domestic economy. This strategy, the plan states, "is of paramount importance in our modernization plan." The flip side is that foreign exchange expenditures will be closely watched and approved only if they meet the priorities of the plan. That the Open Door policy can now be seen and presented in a liberal light is testimony both to the trauma of the Cultural Revolution and the internationalist hopes of the larger international commercial and political communities.

### IS CHINA A NIC?

One way to understand China's international economic position is to see whether it can be placed in the same category as its rapidly growing neighbors—

<sup>11</sup>See the fuller discussions in Wenlee Ting, *Business and Technological Dynamics in Newly Industrializing Asia* (Westport, Conn.: Quorum Books, 1985) and Bruce Cumings, "The Political Economy of China's Turn Outward," in Samuel S. Kim, ed., *China and the World* (Boulder, Colo.: Westview Press, 1984).

<sup>12</sup>See Bruce Cumings, "The Origins and Development of the Northeast Asian Political Economy," *International Organization*, vol. 38, no. 1 (1984).

<sup>13</sup>Chinese trade statistics are somewhat problematic, particularly for 1985. The Chinese Ministry of Foreign Economic Relations and Trade's (MOFERT) figures for last year—US\$59.21 billion—are considerably lower than the \$69.62 billion reported by the Chinese customs office. The

the "Four Dragons" of the Pacific Basin: Hong Kong, Singapore, South Korea and Taiwan. These NIC's (newly industrializing countries) have seen extremely rapid growth over the past two decades. Taiwan's gross national product (GNP), for instance, grew at an annual rate of over 17 percent between 1965 and 1984. In 1965 the island's per capita income was \$216; today it is \$3,100, surpassed in Asia only by Japan, Hong Kong and Singapore.

This self-sustaining growth is a manifestation of deep structural trends. These include export-led growth, not import-substitution; strong ties, or "enmeshment," with the markets of the industrialized democracies; incentives, with few restrictions; on foreign investment; broadly based, "bottom-up" development; and an administrative environment that supports economic development. Some of China's consumer- and market-oriented domestic economic strategies suggest "bottom-up" development, and China has long been involved with world capitalist markets. But China remains a Marxist-Leninist state. Its twin legacies—a Stalinist emphasis on heavy industry and import-substitution in the 1950's, and a Maoist strategy of isolation and self-reliance in the 1960's—do not always support international economic involvement.<sup>11</sup>

Furthermore, China is also coming to the party a bit late. This has several consequences. China is assuming a trailing position in world technology. Japanese political economists have suggested that there is a V-shaped, "flying goose" pattern in technology transfer, with obsolescent technology cascading down the line from leader to follower.<sup>12</sup> In fact, one can see this in any consumer electronics outlet: sophisticated videotape players that used to come from Japan now carry Korean brand-names; television sets of Japanese design are manufactured in Taiwan; and as Japanese television producers are beginning to set up shop in China itself, clock-radios made in Shanghai are already on the shelves.

Because of its relative position on the technology ladder, China must compete in those market sectors in which protectionism is an issue, like textiles and other light industrial products, or in which the terms of trade are deteriorating. Indeed, mineral fuels, light industrial products and textiles make up over 60 percent of China's exports. These factors, combined with continuing global difficulties in world trade, will not make China's economic development easier.

### TRADE FIGURES

In any case, the reform movement has kicked off respectable overall growth. Foreign trade as a percentage of the total product of society (TPS) has doubled: from 6.6 percent in 1979 to almost 13 percent in 1985.<sup>13</sup> Between 1981 and 1985, both TPS and foreign trade grew by almost 80 percent. Thus in both

absolute and relative figures, foreign trade is increasing in importance.

However, the significance of foreign trade for China does not come close to its importance for the smaller NIC economies. Foreign trade as a percentage of GNP in 1984 was 90.6 percent for Taiwan, 86 percent for South Korea, and, because of value-added reexports, 262 percent for Singapore and 178 percent for Hong Kong.<sup>14</sup>

Furthermore, the commodity content of China's trade is shifting. A mark of NIC-dom is a move away from raw materials and toward processed or manufactured goods. China has predominantly imported manufactured goods classified as "means of production." In 1957, at the height of Sino-Soviet friendship, 92 percent of China's imports were in this category; since 1979, 70 to 80 percent have been so classified.

On the export side there have been greater changes. In 1957, almost 72 percent of China's exports were either primary or processed agricultural goods; 28 percent were manufactures or minerals. Particularly since 1979, there has been a decline in the agricultural component of Chinese exports—from 56 percent in 1979 to 40 percent in 1982 to about 25 percent in 1984. This shift has been echoed in the economy at large. In 1952, 57 percent of gross industrial and agricultural output value came from the farm; by 1985, agriculture's share had fallen to 34 percent.<sup>15</sup>

But these changes are not reflected in sectoral employment, an indication of the enormous burden China's huge population puts on development. Still, industrial employment has steadily increased. In 1984, 16.3 percent of China's work force was employed in industry, up from 6.7 percent in 1952.<sup>16</sup>

If being a NIC means participation in the world capitalist economy, then China certainly passes that test. China has had significant trade relations with the capitalist world since the 1960's.

matter is further muddled when State Statistical Bureau statements cite the customs figures while the State Planning Commission and the new seventh five year plan use MOFERT numbers. The consensus is that the customs figures are more complete; a Bank of China official told this writer that MOFERT only reports the activities of its bureaucracy and does not cover the foreign trade activities of other Chinese ministries and organizations.

<sup>14</sup>See "Regional Performance Figures."

<sup>15</sup>These figures are calculated from Tsao, op. cit., and *Far Eastern Economic Review*. China has also increased its arms exports. According to CIA statistics, China exported \$4-billion worth of arms from 1982 to 1984; the bulk of these arms—tanks, aircraft, small arms—have gone to the Middle East, Africa and Pakistan. China has developed export versions of fighter planes and tanks, and is reported to have made a low-cost export copy of the American M-16 rifle.

<sup>16</sup>*Statistical Yearbook of China*, p. 213.

<sup>17</sup>Calculated from United States government figures.

<sup>18</sup>See the analysis in John Stuermer, "The Foreign Exchange Situation," *China Business Review*, January-February, 1986.

During the first decade of the People's Republic, almost 65 percent of China's trade was with the Communist world; 50 percent alone was with the Soviet Union. This was a period of intense hostility between China and the West; China "leaned to one side." But as Sino-Soviet differences erupted, trade with the Soviet bloc fell off markedly and was replaced by trade with the developed capitalist world.

## THE BALANCE OF TRADE

China's trade balances have been relatively healthy since 1979. Trade with the non-Communist world has tended to be in surplus by \$16.9 billion, although the balance slipped into deficit in 1985. But the bulk of that surplus has been achieved by the \$37.1-billion trade surplus with the third world; trade with the developed world has been in deficit by \$18.4 billion.<sup>17</sup>

In other words, China has run a deficit with those countries whose technology is the key to China's development plans. Furthermore, that deficit grew dramatically out of the 1985 technology and consumer durables import surge; overall, the 1985 trade balance was in deficit by \$14.9 billion, which equals almost the entire net surplus since 1979. China's reserves, which stood at \$16.7 billion in 1984, fell by 40 percent in early 1986 to \$10.35 billion. China has responded to this crunch by tightening import restrictions, recentralizing foreign exchange controls and letting the yuan fall almost 20 percent against the dollar. Although, as one economist has put it, "China's current economic situation is far from alarming," the outlook is for further pressures for expanding exports and limiting imports.<sup>18</sup>

When all these elements are considered, China appears to be a potential foreign trade power. In terms of the growth of total trade, the composition of that trade and the involvement with the world capitalist economy, China is developing a trade dynamism. The shape of the overall Chinese economy is encouraging, and the process of self-sustaining growth seems to have started.

At the same time, the impact of trade on China's economy as a whole is still small. The sea-anchor effect of the still-backward agricultural sector is partly responsible. The most important number in Chinese economic development is one billion—China's popu-

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A former U.S. Foreign Service Chinese language officer, **John Frankenstein** has published articles on China in *California Management Review*, the international editions of *The Wall Street Journal*, *China Business Review* and *Problems of Communism*. He has also contributed chapters to *Arms Production in Developing Countries* (Lexington, Mass.: Lexington Books, 1984) and *China's Military Reforms* (Boulder, Colo.: Westview Press, 1986).

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*"The Chinese economy is in transition. Some of China's leaders would like to let go in the hope that this will induce an elusive industrial takeoff, but others fear the destabilization of the state-run economy. In this transitional period, it is difficult to evaluate the reform's effectiveness."*

# China's Economy: Reform and State Control

BY DOROTHY J. SOLINGER

*Assistant Professor of Political Science, University of California, Irvine*

**T**ODAY the socialist Chinese state is grappling with an uneasy marriage between state management and assorted practices borrowed from market-style economies, practices meant to stimulate the economic activism of state-owned firms and the private sector. On the one hand, the watchful state applies heavy-handed "guidance" or interference whenever its directors sense the threat of what they consider "chaos." At the same time, since the path-breaking third plenum of the eleventh Central Committee held in December, 1978, "free market" innovations have been introduced into the Chinese economy.

In 1985, for the first time, China's leaders began to refer to their fine-tuning of the economic and financial relationship between the central government and the localities and firms as a search for the correct balance between macroeconomic regulation of the national economy and micro-level invigoration of the firms. As one commentator on the current seventh five year plan put it last October,

The microeconomy should continuously be decontrolled and invigorated; and the macroeconomy should be further controlled, regulated, and managed. We need to pay particular attention to limiting the speed and scale of construction and harmonizing all economic relations . . . or economic life will become unstable, price hikes will become uncontrollable and the main economic proportional relations will again become unbalanced.<sup>1</sup>

By late 1978, China's de facto leader, Deng Xiao-

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<sup>1</sup>This quotation comes from a report delivered at the Central Party School, and appeared in the journal *Lilun yuekan* (Theoretical Monthly) in January, 1986. It is translated in Foreign Broadcast Information Service, *China* (hereafter FBIS), March 18, 1986, p. K11.

<sup>2</sup>Retail sales made by private sector merchants accounted for 12.6 percent of the nation's total in 1985, *Beijing Review*, no. 8 (1986), p. 6. There were 61,000 free markets and 4.52 billion self-employed workers in cities and towns as of the end of 1985, *Beijing Review*, no. 12 (1986), pp. 31, 33. The turnover by collective and individual traders and by peasant traders in 1985 equaled 36.7 percent and 22.4 percent, respectively, of the total volume of retail sales, FBIS, April 2, 1986, p. K19. Individually owned, joint venture and foreign-owned economies contributed only 0.6 percent of China's gross value of industrial output in 1985, FBIS, January 13, 1986, p. K19.

ping, had enough clout in central policy councils to convene the seminal third plenary meeting. China's elite believed that they must pioneer critical reversals in the management of the economy; since 1978, those in charge of economic affairs had endorsed an expanding array of measures designed to liberalize the planned, command economy.

Of the new measures, several are well known to Westerners. Managers of firms have been granted heightened autonomy (on paper, at least); the communes in the countryside have been dismantled; and decision making about rural production has been restored to the farm household. There has been a dramatic increase in China's foreign trade and a concomitant opening up of selected zones and ports along the coast to international business investments. And penny capitalists have been allowed to set up sidewalk service and sales marts.<sup>2</sup>

In recent years China's leaders have tried to enhance overall productivity by decentralizing economic decision-making power. They hope to encourage lower level, smaller scale units and groups, in particular those who may be able to make the best use of such autonomy. This continuing effort has pushed the process of reform further and further from a typical Stalinist-style economy.

Few of these tactics are altogether novel, even for China—some were tried out modestly and briefly in the early 1960's after the Great Leap Forward plunged the economy into disaster; others were copied from reforms that have been undertaken since the late 1960's in East Europe, notably in Yugoslavia and Hungary. So far, intention has outstripped actual implementation of many proposed reforms. But there is a broad and significant consensus on finding a liberalized model for China that breaks with the past, and the impetus toward change has continued over nearly a decade.

In fact, this reform package has entailed some fairly major modifications of the old system. Instead of asking enterprises to turn all their profits over to the central treasury, taxes are now assessed on these profits, part of which the firms retain. Receipts from the enterprises are shared by the central government and local administrations. There is "guidance" in addition to the old mandatory plan, so that a larger share

of output responds in some rough sense to the demands of a quasi-market. State-owned materials and equipment are bartered and exchanged at negotiated, not state-dictated, prices; and the bulk of state-supplied investment capital has been shifted from grants to bank loans to the firms.

New rulings have also permitted other forms of ownership; "collectively"—and individually—owned and managed enterprises and commercial concerns are encouraged to compete with state-managed enterprises. Collectives and individuals may lease and even own factories and shops formerly owned by the state.<sup>3</sup> Some of the once centrally controlled prices have been decontrolled; prices of other commodities may float within a range of 20 percent; lower levels of government can exercise control over some prices; the prices of small daily-use articles and fresh foods have been abandoned to the play of market forces; and rationing has been ended for most commodities.

In 1984, the management of many previously state-run enterprises was turned over to city government. Today, bidding and contracting have been introduced into the construction industry and into some lines of manufacturing. There are wholesale markets and trade centers (still usually run under state auspices) in many large cities. In such centers, the choice of customers, the scope of business, the forms of transaction, and the methods of pricing have all become more flexible.

Particularly in 1986, there has been a special emphasis on economic and technological cooperation between departments, areas and trades that were once barred from any interchange not mediated by their hierarchically superior management organs. All these measures have jarred the structure of economic behavior in China.

### THE MACRO DIMENSION

The broad outlines of economic reform seem to involve fairly drastic departures from the vertically structured, administratively regulated pre-1978 economy. But the leaders who govern China still try to brake the effects of these reforms when they see any threat to overall national economic stability. This braking effort occurs on several levels and has intentional and unintentional dimensions.

At the highest level, officials in the central government have long relied on direct administrative measures to halt overinvestment by the firms, inflation caused by shop and producer price markups, and excess currency issued by banks. With their still weighty central authority, policymakers have revealed their ultimate

faith in a steady hand at the top. They appear to believe that only the central government can adequately balance the resources of the country by managing its limited funds and materials in accord with nationally set priorities and that only central policymakers can ensure a relatively equitable rate of growth for China's disparately developed regions.<sup>4</sup>

At a second, perhaps unintended level, the planned economy established in China in the early 1950's installed patterns that now battle with the invigoration intended by the reforms. These patterns include assigning quotas to each economic unit—firm, bureau, county, city, province—for output, with future investment pegged to the satisfaction or overfulfillment of those quotas. In addition, prices in the old system were determined not by supply and demand, but by decisions about planned output, scarcity, allocation and profit that were determined by political, not economic, criteria. As a result, the signals for material consumption did not lead to economically rational behavior. And since investment was gratis and profits were surrendered upward, firms operated in a risk-free environment, in which genuine responsibility for efficiency played no role.

The entire reform program took as its point of departure an attack on that planned economy; the post-Mao elite believed that the planned economy dulled incentive and thereby thwarted growth. But a persisting commitment to the old practices of official supervision, combined with seemingly unalterable political strongholds (originally created by giving planning and finance bureaucracies dominant powers and giving heavy industrial ministries and firms a surfeit of resources), has left the bulk of the planning framework in place. Of late, many parts of that framework have clashed with the new initiatives in the course of daily business, and not always because of explicit leadership decision.

For example, the decentralization of financial powers has enabled economic units to intensify their habit of overfulfillment of an output plan. Enterprises striving to make greater profits—in order to retain more, given the new regulations on taxation—find that irrationally set prices stymie their profit planning; and their customary concentration on quantity leads them to neglect quality or market demand, as they did in the past. On this second level, then, the micro-style reforms frequently founder on the still-in-place macro controls of the plan as a matter of traditional routine.

### ECONOMIC PATERNALISM

In addition, a kind of paternalism still rules where local industrial bureaus govern the enterprises in their charge. This is the most cogent form of government interference in the affairs of industrial plants. The bureaus control the funds, supplies, markets, personnel and management decisions of the enterprises; the

<sup>3</sup>At the end of 1985, 64,671 small state enterprises had become collectively and individually owned, representing 75.4 percent of all small state enterprises; see *Beijing Review*, no. 12 (1986), p. 31.

<sup>4</sup>See FBIS, December 10, 1985, pp. K13-K14, for this argument, which originally appeared in the newspaper *Guangming ribao* (Bright Daily), November 23, 1985, p. 3.



bureaus must approve every move and expenditure; the bureaus have ultimate responsibility for the firms' success or failure; and the bureaus "take care" of firms in trouble and "balance" the inputs available to all the enterprises they manage.

Although such paternalism often shades into predation in practice, the original thrust behind this statist check on microeconomic freedom grew out of an effort to prevent the "blindness" and inequity of capitalism; like the other forms of control, it is rooted in macroeconomic concerns. Thus, China's socialist state faces a collision between an intractable commitment to overall national control—coupled with the practices and politics that have grown up around that commitment—and a vision of initiative-driven economic reform.

### OLD VERSUS NEW

This opposition between macro regulation and the new decentralizing and stimulating reforms is illustrated in the events of the last year and a half. The current round of conflict between the two impulses began in October, 1984, with the promulgation of the "Decision on the Reform of the Economic Structure" adopted by the twelfth Central Committee's third plenum.<sup>5</sup> This document decreed for the first time that China was "practicing a planned commodity economy on the basis of public ownership," a formula that stressed the role of market forces. (In Marxist jargon, "commodities" are products produced for sale on the market.)

The decision called for four major reforms: in the planning system, in management, in prices and in wage policy. In planning, mandatory plans were to give way to guidance-type directives and to market forces; obligatory norms would apply only to major products having a significant bearing on the national economy. In management, state control over enterprises was to be relaxed; henceforth firms were to organize themselves and handle their own profits and losses, and their managers were to take on full direction of their plants. Price change would readjust "irrational" prices to ensure that real incomes would not

<sup>5</sup>The document appeared in *Renmin ribao* (People's Daily), October 21, 1984; the English translation is in *China Daily*, October 22, 1984.

<sup>6</sup>This explanation of the immediate postmeeting activity appeared in the intellectual newspaper *Guangming ribao* on March 22, 1986, and was translated in FBIS, April 6, 1986, p. K2.

<sup>7</sup>*Beijing Review*, no. 5 (1986), p. 7.

<sup>8</sup>United States Central Intelligence Agency, *China: Economic Performance in 1985*, report prepared for the Subcommittee on Economic Resources, Competitiveness, and Security Economics of the Joint Economic Committee, United States Congress, March 17, 1986, p. 3.

<sup>9</sup>See FBIS, January 13, 1986, p. K11.

<sup>10</sup>CIA, op. cit., pp. 3, 4. See also FBIS, January 13, 1986, p. K14, and April 8, 1986, p. K3.

be disturbed. And wages were to be linked with actual work as the differentials among wage grades widened.

Although none of these proposals were new, the fact that the central elite was prepared to enunciate them as a package informed the public that a major push for reform was in the offing. Armed, as one writer later put it, with their customary "blind enthusiasm for high growth rates," firms and local bureaucracies began to introduce "overambitious capital construction projects" and engaged in an "uncontrolled use of consumption funds." This dislocation, the analysis declared, was a "reflection of our ineffective indirect macroeconomic control."<sup>6</sup>

The dislocation was a direct result of heightened expectations on the part of workers, management and local authorities because the reform document promised seemingly radical changes in the way prices would be set, wages would be paid, and relations between central planners and basic enterprises would be governed. Because of these expectations, borrowing, wages and premiums increased rapidly in the fourth quarter of the year.

As Prime Minister Zhao Ziyang later noted, "The steps we took turned out to be bigger than we had expected, and so were the effects."<sup>7</sup> Thus, in the face of a still basically unaltered planning and pricing framework, the forces of micro-level stimulation were unleashed on firms and bureaucrats accustomed to fighting for expansion whenever possible. The result was a series of unanticipated and (from the point of view of the total national economy and its central leaders) undesirable consequences.

### UNANTICIPATED RESULTS

These consequences included new and massive investments in fixed assets by the firms (up by 35 percent in 1985),<sup>8</sup> an overly rapid pace of productive growth that was uncoordinated with market demand (because of inadequate market signals), an unwelcome (to central politicians) increase in wages and bonuses paid out to workers and staff, excess currency in circulation, a drastic drop in foreign exchange holdings (down from approximately 16 billion yuan to between 8 billion and 11 billion), and an irresponsible extension of credit by local bank branches.<sup>9</sup> All of this produced a 23 percent growth rate in the first half of 1985, and an official inflation rate of over 12 percent for retail goods, with the situation especially tense (and the inflation rate higher) for perishable foodstuffs in large cities.<sup>10</sup>

The central government's reaction was swift. "To what extent the microeconomic sphere should be relaxed," Vice Prime Minister Tian Jiyun (who had been in charge of the price reforms) later explained,

will be decided by the ability to control the macroeconomic sphere. As long as there is the lack of control and management measures in the macroeconomy, the

microeconomy should not be hastily relaxed. Otherwise, chaos can easily occur.<sup>11</sup>

Almost immediately the State Council took measures to bring the situation under control, drawing on the direct administrative controls the central government had used over the years. There were four meetings with provincial governors on strengthening macro control and management of consumption funds (wages and bonuses), credits, foreign exchange, currency, the speed of development and the scale of fixed assets investment. By December, the monthly rate of growth had reportedly been forced down to only eight percent.<sup>12</sup>

In addition, the banking system limited sharply the amount of money in circulation: loans to rural enterprises were cut off and interest rates on savings accounts and on capital construction loans were raised. More goods were made available in state-run stores; and in order to draw in excess currency, \$2-billion worth of foreign exchange reserves were allocated to import popular consumer durables.

Several central organs, including the State Planning Commission, the Ministry of Labor, and the Ministry of Finance, drafted regional and departmental wage bill plans, according to which banks issued funds and supervised their use. The use of foreign exchange was quickly curtailed, and loans from the Construction Bank were written into a comprehensive state loan plan. Other measures included setting ceiling prices on certain vegetables, the prices of which had recently been decontrolled. And the central government also imposed a ceiling on the so-called floating prices of some of "the major means of industrial production."<sup>13</sup>

But the often shifting balance between central control and decentralization and its concomitant enhancing of autonomy had not yet stabilized. By March, 1986, three noted economists writing in the *People's Daily* criticized the methods only recently applied:

In the first half of 1985 we restored the practice of exercising direct administrative control over the situation of out-of-control supply and demand. It indeed brought remarkable short-term achievements. However, this method dampened, to a certain extent, the vitality of the economy. Therefore, it is not favorable to fundamentally improv[ing] supply and completely eliminat[ing] unstable factors of the economy.<sup>14</sup>

Within a few weeks, in a panel discussion on economic reform at the fourth session of the sixth National People's Congress, official economist Xue Muqiao noted that when, as a result of the draconian controls applied in 1985, industrial growth continued to decline in the first quarter of 1986, "some began to worry about a landslide." Thereupon, the Central Bank responded with an increase in circulation funds.

The press also reported that delegates at the congress had pressed for continuing the reforms, perfecting various reform measures and shortening the period of transition from the old to the new system. Enterprise directors at the meeting complained about continuing central control, saying that the funds available for their own use were still limited.<sup>15</sup> Thus, the clash and the accompanying seesaw between macro and micro methods continue.

## PROSPECTS

Elite ambivalence over two very different modes of economic management and the regime's failure to coordinate them, rather than pitting the one against the other, are reflected in pronouncements on the seventh five year plan, whose implementation began in 1986.

Prime Minister Zhao Ziyang, long a principal proponent of the economic reform, now speaks of its ultimate goal in more conservative, stability-oriented terms; he hopes to "lay down, in five years or a longer period, the foundation of a new socialist economic structure with Chinese characteristics."<sup>16</sup> To achieve this goal, Zhao hopes to end the stalemate caused by the contradictions, conflicts and loopholes growing out of the simultaneous functioning of the new and the old economic structures.

Zhao's strategy focuses on three reform proposals: to invigorate the larger state-owned enterprises, so that they will act as relatively independent economic entities; to expand the socialist commodity market; and gradually to substitute indirect for direct state administration of the enterprises and to set up a new socialist macroeconomic system. But ambivalence is present even here because these proposals "have attached greater importance to macroeconomic control while retaining the principle of invigorating the enterprises."<sup>17</sup>

The reform plan is also tempered by its embodiment within the seventh plan, which sets out two stages  
(Continued on page 275)

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**Dorothy J. Solinger** teaches political science in the School of Social Sciences at the University of California, Irvine. She is the author of *Chinese Business under Socialism: The Politics of Domestic Commerce, 1949-1980* (Berkeley: University of California Press, 1984), and the editor of *Three Visions of Chinese Socialism* (Boulder, Colo.: Westview Press, 1984).

<sup>11</sup>This statement is taken from Tian's January 6, 1986, speech on economic reform and the current economic situation at a conference of cadres of central organs; it is translated in FBIS, January 13, 1986, p. K20.

<sup>12</sup>FBIS, January 13, 1986, p. K12.

<sup>13</sup>These various measures are listed and described in CIA, op. cit., pp. 7-8; *Beijing Review*, no. 4 (1986), p. 17; and *Hong qi* (Red Flag), no. 22 (1985), pp. 15-16.

<sup>14</sup>*Renmin ribao*, March 10, 1986, p. 5, translated in FBIS, March 27, 1986, p. K16.

<sup>15</sup>*Beijing Review*, no. 15 (1986), p. 26.

<sup>16</sup>FBIS, April 15, 1986, p. K3.

<sup>17</sup>*Ibid.*, p. K4.

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*How have Mao Zedong's policies been interpreted by China's current leadership? On the tenth anniversary of Mao's death, "China's leaders have adopted a bifurcated view of Mao and Mao Zedong Thought [that allows them] to distance themselves from Mao's mistakes and loosen their [modernization] policies from his doctrines, while at the same time maintaining enough of Mao's prestige to avoid undermining the legitimacy of Communist rule in China."*

## China's Modernization of Mao

BY WILLIAM A. JOSEPH

*Associate Professor of Political Science, Wellesley College*

**I**N the ten years since the death of Chairman Mao Zedong, the Western press has often referred to the process of "de-Maoification" being carried out by the leadership of the Chinese Communist party under China's de facto leader, Deng Xiaoping. Parallels have been drawn with "de-Stalinization" in the Soviet Union. That process began in 1956 with Prime Minister Nikita Khrushchev's "Secret Speech" detailing the late dictator's "crimes" and culminated in the removal of his preserved remains from their honored resting place beside Lenin in Red Square, and the obliteration of Stalin's memory from the record of Soviet history. The Chinese have vehemently denied that such a process is going on in China, and Deng himself has declared that "we will not do to Chairman Mao what Khrushchev did to Stalin."<sup>1</sup>

In fact, the analysis of Mao by the current leadership of the People's Republic of China bears little resemblance to Khrushchev's vilification of Stalin. Rather, China's leaders have adopted a bifurcated view of Mao and Mao Zedong Thought: on the one hand, they affirm his positive contributions to the Chinese revolution and to the development of Marxism-Leninism; on the other hand, they openly criticize the late Chairman's political and ideological mistakes. Similarly, they have continued to wrap themselves and their policies in Mao's mantle, but they have cut that mantle down in size, shorn of what some consider its most distinctively Maoist adornments and reshaped to fit the priorities of Deng Xiaoping's drive for modernization.

The public commemoration of Mao's death in September, 1976, was of a style and scale befitting the memory of the man who had dominated the political life of the nation for decades and who had become the personification of the Chinese revolution: a mass memorial service in Beijing attended by over a million

people; a nationwide three-minute silence that literally brought 800 million people to a standstill; and an outpouring of printed tributes.

One month after the Chairman's death, the world was surprised by the arrest of the Gang of Four, who were individuals often seen as Mao's close political allies and ideological heirs, including his widow, Jiang Qing. Their arrest gave Hua Guofeng a chance to consolidate his hold on the leadership of the Communist party of China (CCP). Hua had moved from political obscurity to the center stage of Beijing politics, becoming Chairman and Prime Minister after the death of Prime Minister Zhou Enlai in January, 1976, and the purge of Deng Xiaoping the following April. Hua subsequently took steps to build his own claim to power, in large part on the exalted memory of Mao Zedong. Decisions to erect a mausoleum containing Mao's remains in a crystal sarcophagus for public viewing and to publish quickly a new volume in the *Selected Works of Mao Zedong* were to symbolize the loyalty of China's new leaders to the Chairman. Hua tried to tie his political star to Mao's legacy by widely publicizing the claim that, some months before his death, Mao had expressed the desire that Hua should succeed him as head of the CCP. Mao had allegedly penned the phrase, "With you in charge, I am at ease" and had passed the note to his new protégé. Hua's portrait was displayed alongside Mao's, and he even donned a hairstyle that bore some resemblance to that of the late Chairman. In contrast to the glorification of Hua as Mao's true heir, the Gang of Four were denounced for a host of perfidious deeds depicted as a betrayal of Mao's revolutionary line. It was said that Mao had allegedly become disgusted with the radicals' political shenanigans; indeed, it was charged that Mao had coined the term Gang of Four as one of his many warnings to them to stop their factional machinations.

The political resurrection of Deng Xiaoping in mid-1977 and his eventual rise over the next year and a half to preeminence in the post-Mao leadership provided the framework for a more searching evaluation

<sup>1</sup>Deng Xiaoping, "Answers to the Italian Journalist Oriana Fallaci," in *Selected Works of Deng Xiaoping* (Beijing: Foreign Languages Press, 1984), p. 329. See also "Myth of de-Maoification Shattered," *Beijing Review*, vol. 26, no. 36 (September 5, 1983), pp. 4-5.

of Mao Zedong. Deng quickly and clearly told his comrades in the party that he intended to challenge those who persisted in a dogmatic attitude toward Mao's legacy. He notified them that his approach to policy and ideology, while remaining true to the basic principles of Marxism-Leninism-Mao Zedong Thought, would be based on the need to respond flexibly and creatively to China's pressing problems of modernization. It was in this context that the slogans "Seek truth from facts" and "Practice is the sole criterion of truth" (both adopted from Mao's earlier writings) first came into common usage as the watchwords of the Deng era.

Deng used a well-modulated assault on the sanctity of Mao's memory to isolate his political opponents, dubbed the "Whatever Faction," because of their commitment to uphold whatever Mao said or did. They were portrayed as residual leftists who had not broken completely with the ideological despotism of the Gang of Four. Deng's triumph was legitimized at a meeting of the party's Central Committee in December, 1978, which proclaimed that modernization was the country's overriding priority. The meeting removed from power several top leaders associated with the Whatever Faction and officially sanctioned an appraisal of Mao that affirmed his "great feats" and "outstanding leadership," yet acknowledged without embellishment his "shortcomings and errors."<sup>2</sup>

A fuller explication of this judgment was made public in June, 1981, when the CCP issued a lengthy document evaluating the historical record of the party.<sup>3</sup> This resolution of party history provided a comprehensive, official evaluation of Mao's role in the Chinese revolution, his contributions to building socialism after 1949 and an analysis of where and why Mao went astray in his leadership of the CCP. The resolution also offered an assessment of Mao Zedong Thought, affirming fidelity to those aspects of the ideology regarded as correct in practice and relevant to the contemporary era while repudiating the erroneous theses that had led the Chairman to pursue follies like the Cultural Revolution. Although there have been many subsequent elaborations of the content of the 1981 resolution, this document remains the cornerstone of the bifurcated evaluation of Mao's legacy.

## MORTALIZING MAO

In contrast to the deification of Mao that reached

such frenzied heights during the Cultural Revolution, a concerted effort has been made in recent years to portray Mao as a fallible mortal who achieved great things. The overall assessment of the Chairman's record is that "his merits are primary and his errors are secondary."

According to current reckoning, Mao's political career fell into distinct halves: the period of his greatest achievements beginning with his emergence as paramount leader of the revolution in the 1920's and 1930's through liberation in 1949 and the first years of building socialism in the People's Republic; and the period from 1957 on when he made a series of mistakes, culminating in his most egregious error, the Cultural Revolution, which did not end until after his death in 1976.

Mao is still hailed for his decisive role in shaping the Chinese Communist movement and guiding it to victory over Generalissimo Chiang Kai-shek's Kuomintang in the civil war. He clearly saw the need to root China's revolution in the countryside and took the lead in the struggle against the misguided views of the more orthodox Chinese Marxists under Moscow's influence, who held that a Communist insurrection had to be based on the proletariat in the cities.

The strategy of rural revolution is seen as Mao's greatest contribution: the application of the "universal principles" of Marxism-Leninism to the concrete realities of China. Mao is also praised for brilliant military leadership and the development of theories of "people's war" that enabled the revolutionary forces to defeat numerically and technologically superior enemies by relying on popular support and guerrilla tactics. Similarly, he is said to have been largely responsible for building the CCP into the disciplined political party that made victory possible. The result was a uniquely Chinese road to revolution for which Mao is given the most credit as engineer and pilot.

Mao continued his record of solid success during the initial stage of Communist rule. Between 1949 and 1956, he led the nation in healing the wounds of war, eradicating some of the most blatant ills inherited from the old society (for example, the exploitative land-owning system, opium addiction), and beginning the socialist transformation of the economy through the collectivization of agriculture and the nationalization of industry. But in 1957 Mao's way—which theretofore had been the way of triumph—began to go awry.

Mao's major errors are generally analyzed as being of two types. First, a tendency toward "rashness characterized by seeking unrealistically big, quick results in guiding socialist revolution and construction"<sup>4</sup> led him to push the party in the direction of disastrous programs like the Great Leap Forward of 1958–1960. The Great Leap aimed both to achieve rapid economic growth through mass mobilization and to attain true communism in China, but it so severely damaged

<sup>2</sup>"Communiqué of the Third Plenary Session of the 11th Central Committee of the Communist Party of China," in *Peking Review*, vol. 21, no. 52 (December 29, 1978), p. 15.

<sup>3</sup>"Resolution on Certain Questions in the History of Our Party since the Founding of the People's Republic of China" (Beijing: Foreign Languages Press, 1981).

<sup>4</sup>Huang Kecheng, "How to Assess Chairman Mao and Mao Zedong Thought," *Beijing Review*, vol. 24, no. 17 (April 27, 1981), p. 21.



the economy that between 15 and 30 million people died of hunger. Second, Mao was misled by his growing preoccupation with political struggle against alleged class enemies inside and outside the party who (he believed) were threatening to sabotage the revolution with their "bourgeois" ideology and bureaucratic style of rule. This exaggerated emphasis on class struggle is seen as the source of Mao's most serious errors, including the Cultural Revolution, which ruptured China's political system, maimed the nation's intelligentsia, disrupted the economy and, at times, brought Chinese society to the brink of civil war.

Why did Mao go wrong after 1956? Mao is viewed as having violated his own principles and betrayed the down-to-earth style that characterized his earlier leadership. His thinking took a sharp ideological turn to the left and he became infected with the same dogmatic insistence on doctrinal purity and penchant for adventurism that he had struggled against within the party before 1949. He succumbed to such deviations because he became "less prudent and less democratic and had less contact with actual conditions and the masses."<sup>5</sup> In other words, he suffered from the arrogance and isolation of power.

Current analyses also stress the "social and historical causes" of Mao's transgressions. The lingering influence of China's feudal traditions like emperor worship and unquestioning obedience to authority provided fertile ground for the emergence of Mao's personality cult, while the fact that the CCP "neglected the building of socialist democracy and the socialist legal system after the founding of the PRC . . . provided the objective conditions for the growth of autocracy. . . ."<sup>6</sup>

The generally frank discussion of Mao's faults is often tempered by reminders that his errors were motivated by a desire "to do what would benefit the people . . . promote the revolutionary cause," and that even a debacle like the Cultural Revolution should be regarded as "the error of a great revolutionary." Fur-

<sup>5</sup>Ibid., p. 22.

<sup>6</sup>Li Zhiping, "Deng Xiaoping's Outstanding Contributions to the Scientific Confirmation of Mao Zedong's Historical Position and the Guiding Role of Mao Zedong Thought," *Lilun yuekan* (Theory Monthly), no. 7 (1985), in Foreign Broadcast Information Service, *Daily Report: China* (hereafter FBIS), August 29, 1985, p. K15.

<sup>7</sup>Huang, op. cit., p. 22; "Resolution on Certain Questions," p. 41.

<sup>8</sup>Deng Xiaoping, "Hold High the Banner of Mao Zedong Thought and Adhere to the Principle of Seeking Truth from Facts," and "Uphold the Four Cardinal Principles," in *Deng Xiaoping*, pp. 141-144 and 166-191.

<sup>9</sup>"Mao Zedong Thought Shines Forever," in *Renmin ribao* (People's Daily), December 26, 1983, in FBIS, December 27, 1983, p. K5; Zhai Sishi, "The Tremendous Development of Scientific World Outlook in China—Understanding Gained from Studying Mao Zedong's Philosophical Thinking," *Hong qi* (Red Flag), no. 23 (1983), in FBIS, December 28, 1983, p. K13.

thermore, Mao's political mistakes are consistently set apart from the crimes of Lin Biao and the Gang of Four. Thus, the proper course to take in evaluating Mao's career is to criticize his errors, but to "understand and forgive him with both love and respect."<sup>7</sup>

## MODERNIZING MAO'S THOUGHT

The current versions of the constitutions of China and the Communist party, adopted in the post-Mao era, enshrine in their preambles the guiding role of Mao Zedong Thought in the political life of the party and the state. Deng has repeatedly stressed his commitment to "hold high the banner of Mao Zedong Thought" and has placed upholding Mao Zedong Thought (along with preserving the socialist road, the dictatorship of the proletariat, and the leadership of the Communist party) among the "four cardinal principles" that define the political boundaries of his reform program.<sup>8</sup> A national symposium on Mao Zedong Thought, convened in late 1983 as part of an extensive national observance of the ninetieth anniversary of Mao's birth, received over 300 papers on Mao's contributions to Marxist philosophy. And Mao's adaptation of Communist theory to China is still referred to by official sources in such glowing terms as the "spiritual pillar" of the nation and our "treasure of treasures."<sup>9</sup> Yet Maoist theory, like Mao's life, has been subjected to critical scrutiny by his successors and has been molded to serve as a source of ideological legitimacy for policies that Mao, in his later years, might well have found anathema.

Mao Zedong Thought has, to a certain extent, been disembodied from the person of Mao Zedong. It is now defined as

the application and development of Marxism-Leninism in China, the proven correct theoretical principles of the Chinese revolution, the summation of experiences and the crystallization of the collective wisdom of the Communist party of China.

Mao is clearly recognized as having made "the most significant contributions to the development of Mao Zedong Thought"—and for that reason the ideology bears his name—but great emphasis is placed on the fact that other leaders of the party "made outstanding theoretical contributions and enriched the theoretical treasure house of Mao Zedong Thought" over many years. The collectivization of Chinese Communist ideology was implicit in the decision of December, 1983, to incorporate into the memorial hall containing Mao's remains exhibits extolling the deeds of three other revolutionary heroes: Zhou Enlai, Zhu De (founder of the Red Army), and Liu Shaoqi who, ironically, was Mao's major target in the Cultural Revolution.

The current leadership of the party eschews the uncritical acceptance and sycophantic propagation of Mao's ideas that characterized the Cultural Revolution, when Mao Zedong Thought was broken up into

"fragments" (symbolized most blatantly by the "Little Red Book" of brief quotations from Mao's works) that were cynically manipulated by Lin Biao and the Gang of Four for their own political gain. Instead, China's leaders declare that they are engaged in a process of ideological interpretation and adaptation aimed at reviving the true "system" of Mao's philosophy.

Three fundamental principles have been identified as "the living soul" of Mao Zedong Thought to which the party still proclaims its allegiance. First, Mao's dictum to "seek truth from facts" is said to express most cogently the practical spirit of Mao's philosophy and his repudiation of ideological straightjackets. "Seeking truth from facts" is lauded as having been the key to Mao's forging of a distinctive Chinese road to revolution and is the guiding principle of Deng's modernization efforts.

Second, the idea of the "mass line" is described as the essence of Mao's leadership doctrine that the party must maintain close organizational links with the people and that individual Communists must be paragons of selfless behavior. In the past, the idea of the mass line was often associated with movements like the Great Leap and the Cultural Revolution. In its current exposition, the concept is devoid of radical content and is invoked as a warning to cadres to avoid bureaucratism; it is also a symbolic statement of the party's belief that its policies, despite a turn away from many of the populist values of the Maoist era, do, indeed, still "serve the people."

Third, the concepts of "independence and self-reliance" are extolled as the epitome of Mao's thinking on China's international relations. Mao laid the theoretical foundations of a foreign policy that restored China's dignity, established national sovereignty after a century of foreign exploitation, and provided the basis for China's emergence as an important actor in world affairs. Mao is said to have remained true to the international component of his philosophy. His guiding role in practical matters of international policy—from the disentangling of the nascent Chinese Communist movement from Comintern (Communist International) dogma in the 1920's through the rapprochement with the United States in the 1970's—has been upheld by the post-Mao leadership.

The principles of "independence and self-reliance" are regarded as incorporating a willingness to accept foreign support and to learn from other countries, but with the caveat that China must not become submissive to any other nation or compromise its freedom of action. This part of the "living soul" of Mao Zedong Thought is especially relevant at a time when Deng Xiaoping's Open Door policy is encouraging greatly

expanded trade relations, diplomatic links and cultural exchanges.

According to China's current leader, Mao's political mistakes were rooted in the theoretical errors of Mao's later years; such misguided theories are specifically expunged from the body of ideas now defined as comprising Mao Zedong Thought. Mao Zedong Thought is not simply a compendium of "all the articles, books, speeches, directives and letters written or made by Mao Zedong . . .," but consists only of those "scientific principles of Mao Zedong Thought which have proved to be correct through long years of practice."

Chinese Communist theory in the post-Mao era has also been extended in new directions that are said to represent a further development of Mao Zedong Thought. China's leaders and theoreticians have gone to great lengths to rationalize the introduction of such far-reaching economic reforms as the move from the commune system to household farming and the encouragement of private commerce within the context of socialism. The slogan "Building socialism with Chinese characteristics" has been raised to describe the ideological framework of the modernization program.<sup>10</sup> This rallying cry is meant to convey the point that whatever innovations may be introduced to spur the economy, the party remains firm in its commitment to socialism, albeit a socialism defined by China's special circumstances (especially its economic "backwardness"), rather than by any abstract ideological standards. Deng Xiaoping is portrayed as the principal architect of this new Chinese socialism, but his efforts are directly tied to the heritage of Mao Zedong Thought.

Mao's ideas on economics in the early 1950's, especially his belief that the Soviet model of development had to be modified to fit the Chinese context, are said to provide the inspiration for current policies. "The basic idea to build socialism with Chinese characteristics was put forth by Comrade Mao Zedong," a leading party historian has claimed. But Mao's innovations led in the fateful direction of the Great Leap and the Cultural Revolution, when he let himself be guided by his own wishful thinking rather than by the imperatives of China's development.

Now, under the leadership of Deng Xiaoping, the party has "restored the truth of Mao Zedong Thought" and "revealed its true colors." Deng and his col-

(Continued on page 280)

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**William A. Joseph** teaches Chinese politics, political development, and comparative communism at Wellesley College and is an associate in research at the Fairbank Center for East Asian Research at Harvard University. He is the author of *The Critique of Ultra-Leftism in China, 1958-1981* (Stanford: Stanford University Press, 1984).

<sup>10</sup>See the collection of remarks by Deng Xiaoping published under the title *Build Socialism with Chinese Characteristics* (Beijing: Foreign Languages Press, 1985).

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*"It is still unclear whether the single child family policy has been successful. It has certainly been more effective than might have been expected half a decade ago. . . . In the mid-1980's, China's leaders are paying closer attention to the emerging side effects of the original decision, especially population quality and the problems of an aging population."*

## Family Planning in China

By JOYCE K. KALLGREN

*Chairman, Center for Chinese Studies, University of California, Berkeley*

Comrades: . . . I wish to . . . pay my high respects to those advanced collectives and individuals who have worked hard, opened up new paths to forge ahead and score outstanding achievements in family planning.<sup>1</sup>

Speaking on March 1, 1986, to a national meeting convened to commend model collectives and individuals for their family planning efforts, Vice Prime Minister Wan Li began an appraisal of China's family planning efforts with these words.

The timing was appropriate. China had just completed the sixth five year plan and was commencing the seventh. Progress had been made in family plan-

<sup>1</sup>"Speech by Wan Li on 1 March at the National Meeting for Commending Advanced Collectives and Individuals in Family Planning," Beijing Xinhua Domestic Service (in Chinese), March 2, 1986, in Foreign Broadcast Information Service, *China* (hereafter FBIS), March 5, 1986, pp. K4-7.

<sup>2</sup>"5 Year Plan Highlights. Part Eighteen—Population," Beijing Xinhua, April 3, 1986, in FBIS, April 7, 1986, p. K15. "Population target: 1.113 million. The national average growth rate will be limited to around 12.4 per thousand a year." For a statement of success see *Jingji ribao* (Beijing), December 18, 1985.

<sup>3</sup>See Elisabeth Croll, Delia Davin, and Penny Kane, eds., *China's One-Child Family* (New York: St. Martin's Press, 1985). Also see Joyce Kallgren, "Politics, Welfare, and Change: The Single Child Family in China," in Elizabeth Perry and Christine Wong, eds., *The Political Economy of Post-Mao Reforms* (Cambridge: Harvard University Press, 1985).

<sup>4</sup>China specialists find that China's abortion policy is constantly raised in all question and answer sessions of public lectures. The *South China Morning Post*, published in Hong Kong, on June 8, 1986, reported in an interview held in the special zone of Shenzhen that abortions are routine there and compulsory for those who become pregnant outside the plan. See also the careful comments of Nathan Keyfitz in "China Faces Hard Choices in its Population Policies," *The Asian Wall Street Journal*, March 28, 1984.

<sup>5</sup>"Speech by Wan Li," p. K6.

<sup>6</sup>"Evolution of China's Population Policy," *Beijing Review*, vol. 27, no. 3 (January 16, 1984), pp. 17-19. This report is written by Qian Xinzong, the former minister responsible for the State Planning Commission and now adviser to the Ministry of Public Health. See also Nathan Keyfitz, "The Population of China," *Scientific American*, vol. 250, no. 2 (February, 1984), pp. 38-47.

<sup>7</sup>Yuqin Cheng, "China's Population Today and Tomorrow, Chapter 1," translated in the Joint Publication Research Service, *China Report: Economic Affairs* (hereafter JPRS), March 6, 1986, p. 8.

ning and education, as well as in other social welfare components of the larger program of modernization.<sup>2</sup> Were self-congratulations appropriate? Was it possible to relax somewhat? A bit of pride in accomplishments was obviously in order, but relaxation was not.

Since its public promulgation in 1979, China's single child family policy has been controversial.<sup>3</sup> The attempt to bring about so drastic a shift in the most personal aspect of an individual's life tempted some critics to deny the feasibility of the effort. Other observers believed that success would require draconian enforcement procedures. As the years passed, official zeal, resulting in harsh and compulsory abortion policies, have given the policy an aura of callousness.<sup>4</sup> For their part, Chinese officials repeatedly criticize coercion and strongly urge persuasion, while they reaffirm the long-term nature of the problem of birth control.<sup>5</sup> In the mid-1980's China's leaders are paying closer attention to the emerging side effects of the original decision, especially population quality and the problems of an aging population.

Until the early 1970's, there was considerable indecision in China about family planning constraints. After the early 1970's, population growth rates showed a decline, as the advocates of late marriage and fewer children who were better spaced influenced the behavior of women in their child-bearing years.<sup>6</sup>

In the post-Mao period, the Chinese leadership began to consider the policies that should accompany their economic reforms for the achievement of the four modernizations by the year 2000. At that time, they apparently decided that the downward slope in the birthrate curve was not steep enough, given the large number of young couples who would enter the child-bearing years in the early 1980's. Even if these couples followed the recommended policies for later, fewer births, their children would still be too great an economic burden on the resources of the state—resources needed for modernization.

Therefore, a more restrictive policy was adopted to accelerate population decline. There is little information about the data that underpinned the highly intricate series of decisions linking population projections and demographic trends.<sup>7</sup> In general, for the



early period of analysis, there is little evidence of methodological rigor; hence there is some skepticism about the policies based on these data. It is important to keep in mind these limitations; not infrequently Chinese authorities embrace a course of action without sufficient research on the likely consequences of a particular policy or its side effects.

Since the initial decision to adopt the single child family policy, there has been considerable research on the resource constraints both for modernization and for the social needs of the population. The policy is justified by claims that if China were to meet the needs of an unchecked population, its modernization goals would be virtually unattainable. This argument cites the measures of arable land, natural resources and similar indices to illustrate the ecological constraints that confront the Chinese.

A second line of argument holds that successful modernization will mean that farmers released from the land will have to find alternate employment. These employment needs could not be met if the state were compelled to focus its interest and resources on a still growing population. A third argument points out that if the population growth rate remains low, the much higher increase in productivity will mean an increasing standard of living for the population in general and especially for China's farmers.

Since the 1982 census was taken, the rigor of demographic analysis has markedly improved. It has become apparent first to demographers and then to Chinese political leaders that the realities of population structure make it essential for government planning and programs to go beyond concern for the single child family. China must prepare for an aging population that will affect major cities by the year 2000 and the rest of the country 20 years later.

### THE SINGLE CHILD FAMILY

According to the single child family policy, each couple is to bear only one child. Over the years, an

<sup>8</sup>A brief list of these exceptions is found in H. Yuan Tian, "As China's One-Two Fertility Debate Turns," *Population Today, Bulletin of the Population Reference Service* (Washington, D.C.), April, 1986, pp. 6-9.

<sup>9</sup>Quotes from the 1982 constitution are in *Population and Development Research*, vol. 9, no. 1 (March, 1983), p. 284.

<sup>10</sup>Cheng, op. cit., describes this dilemma and proposes new recruitment policies to deal with it. It is difficult to believe that there will not be opposition to changes in recruitment policies. However, the post-Mao military reforms specifically emphasize the improved educational background of recruits, which will mean increased urban recruitment.

<sup>11</sup>*The China Official Yearbook 85/86* (Hong Kong: Salem International Publishers, 1985), p. 547, says the single child family policy is confined to a single generation.

<sup>12</sup>*China Daily*, May 21, 1986, reaffirms this right. According to the account, rural inhabitants of Guangdong may also apply for an exception when "the first child [is] a girl."

elaborate set of exceptions has been developed to soften the stringent basic rule, including the catchall phrase, "accommodation would be made for those undergoing hardship."<sup>8</sup>

A number of this policy's characteristics are worth noting. First, the single child family policy lacks national legislation. Despite the Chinese emphasis on legalism and regulations for important national policies, at the national level the family planning policy relies on constitutional provisions. According to Article 25 of the 1982 constitution, "the state promotes family planning so that the population 'growth may fit the plan for economic and social development.'" Article 49 requires that "both husband and wife have the duty to practice family planning" (it should be noted that family planning is not necessarily the same as a single child policy).<sup>9</sup> Implementing legislation has been discussed but never formally presented.

Since most important programs have been based on national legislative provisions that are locally interpreted, like the 1980 Marriage Law, why has this not been the case for the single child family policy? The answer is apparently due in part first to controversy over specific provisions and second to the reservations of important segments of Chinese society. One example will illustrate the point. Segments of the Chinese military were concerned with the consequences for recruitment that would follow. Commonly, the single child remains at home, is not sent to the countryside or some remote region, and presumably is not required to serve in the military. As single children become more common, the number of those liable for military service will decline, especially in the cities, where the policy is more successful and where more educated draftees might be found.<sup>10</sup>

Is this a permanent policy? Obviously not, since the current birthrate is below replacement. Yet to hint at termination might be fatal. Those considering sterilization would balk; those about to pledge a single child would demur. But how long should the policy last? To the year 2000? How far beyond?<sup>11</sup> Whatever the original intent, the single child family policy has been explained in recent years as a temporary policy whose ending is just beyond the current perspective. Because of equivocal language, the term of applicability may vary over 20 to 40 years.

There is no evidence that all birth-planning restrictions will be lifted at the end of this period. The shorter estimates of 20 to 30 years mean that those born in the 1980's and even some entering their child-bearing period in the 1990's might expect to have a second child without special approval. Moreover, the 1985 decision allowing two "single child" individuals who married to have two children indicated a keen awareness that current policy would not be sustained indefinitely.<sup>12</sup>

Given the lack of national legislation and the vague-



ness of a termination date, the policy is not enforced evenhandedly. As is true of virtually every policy in China, enforcement varies with the area and with such factors as wealth, population density, the presence of minorities and whether an area is rural or urban.

Has the compliance rate been acceptable? In general, the Chinese express considerable satisfaction about the progress of the past five years. Figures suggest a remarkably low growth rate. For the first half of the 1980's, the average annual population growth is 1.17 percent.<sup>13</sup> Despite data limitations, the quality of the reported data is acceptable; it is based on the information that has been derived from the 1982 census figures and the "One in a Thousand Sample Survey." *The China Official Yearbook 85/86* reported that 34 million of the 35 million on record in 1984 had pledged to have no more than one child, thereby entitling themselves and their single child to the benefits guaranteed those couples receiving a certificate of commitment.<sup>14</sup> The 35 million constitute 21 percent of those in their child-bearing years. Eighty-three percent of all new births in the city and 62.3 percent in the countryside are single child births.

At the same time, according to a July, 1984, statement by Shen Guoxiang, a spokesman for the Family Planning Commission, 20 percent of the children born at that time were either second or third children; their families were still infected by "old customs."<sup>15</sup> It is not known how many second children were approved under the regulations permitting exceptions. By 1985, the national rate of growth (that is, birthrate minus death rate) was 10.81 per thousand and was significantly lower in urban areas.<sup>16</sup> Ten years after the death of Chairman Mao Zedong, Chinese population policies seemed to have overcome many of the inherent cultural, social and economic objections of a Confucian rural society. The stringent birth control effort may well remain within the targeted limits established for the seventh five year plan.

How have the general administrative rules brought about such a situation without national model laws? How does the program work? It has three components. First, there are propaganda messages transmitted by means of books, radio and television, and party efforts to tell members, candidates and cadres to endorse and support the policy. Billboards, magazines and television shows extol the single child family, and the single child is always a girl.<sup>17</sup> Beyond the effort to establish the single girl model, there are courses

on child rearing, discussions of the problems of single children and exhortations to develop more child-care facilities, provide better diets, and establish high standards of conduct for the single child.

Newly marrieds are told about the virtues of the single child family and are lectured about birth control. The topic and its ramifications interest many Chinese. Whether the discussions and interest are found to an equal extent in rural areas is not easy to determine, but an effort is made to propagandize in the countryside as well as the city.

### INCENTIVES AND DISINCENTIVES

The second component of the effort to promote the single child family has been the establishment of rewards for those who follow the policy and disincentives for those who fail to do so. There are additional rewards for those who follow the policy and disincentives for those who agree to sterilization or abortion. These policies received much publicity in the early 1980's, when the program was being developed. They have since undergone considerable refinement.

There has been a multiyear effort to establish incentives that will encourage the decision for a single child and sustain that decision. Incentives include the allocation of scarce resources like housing and cash benefits together with priority placements. The single child is allocated space equivalent to that assigned an adult. An apartment is made available for a newly married couple that accepts a single child certificate. The allotment of milk, cotton goods, or items in short supply may be preferentially bestowed on those with a single child, and the child may be given priority placement in school or child-care facilities.

The customary leave period of 56 days after birth may be extended to six months of paid leave for a mother who agrees to a single child. A cash contribution may be made toward the child's living expenses. All these benefits are the responsibility of the local unit; thus the level and generosity of the award are linked to the well-being of that unit and are more easily financed, organized and distributed in cities or semiurban areas. For these areas, such incentives seem to work well. But to the extent that compliance becomes universal, their advantage may decline.

The disincentives—largely economic penalties—roughly match the incentives. A penalty is likely to be ongoing in the city and a one-time fine in the countryside. Those who defy the single child family policy do not fare well. Activists and party members may lose preferential assignments. Ordinary workers will find that a second (and certainly a third) child will lead to the termination of bonuses, perhaps demotion. The second child will receive the lowest priorities for scarce assignments and resources. In some cases, the second child may not be registered, unless a parent has agreed to sterilization or the use of a contraceptive

<sup>13</sup>"Wang Wei Attends Family Planning Meeting," Beijing Xinhua Domestic Service (in Chinese), March 4, 1986, in JPRS, April 7, 1986.

<sup>14</sup>*The China Official Yearbook 85/86*, p. 546.

<sup>15</sup>*Ibid.*, p. 547.

<sup>16</sup>"Urumqi Claims Success in Population Planning," Beijing Xinhua, February 3, 1986, in JPRS, March 21, 1986.

<sup>17</sup>Xin Lin, "A Realistic Population Policy," *Beijing Review*, vol. 27, no. 30 (July 23, 1984), p. 4.

device. By 1983, economic contracts, widespread in rural areas, were linked to "birth contracts" to counter the tendency to have more children to increase a family's labor power. Farmers were forced to accept economic and birth targets (commonly the promise to have no children during the tenure of the contract). Failure to observe the family planning commitment could be punished by economic sanctions.<sup>18</sup>

The third component of the family planning effort has focused on preventing the birth of a second child conceived outside the plan. Most international criticism has been directed toward this part of the program. In some cases, multiple births are curtailed by abortions that have sometimes been coerced or performed late in pregnancy. To be sure, the major effort has been to prevent conception, but contraceptive devices can fail through either error, chance or plan.<sup>19</sup>

### CAREFUL SUPERVISION

Thus a highly organized effort to insure that each couple practices family planning is part of daily Chinese life. Individuals watch the menstrual periods of women workers, distribute birth control pills, facilitate the insertion of IUD's (intrauterine devices, the common birth control mechanism in the countryside), watch for an unplanned pregnancy, and move aggressively if "remedial measures" are needed.

Since disincentives, abortions and sterilization are not mutually exclusive but are rather sequential alternatives, some methods are used more often to prevent unplanned pregnancies.<sup>20</sup> Provinces where per capita income is high have relied on economic incentives and penalties for their birth-planning programs. They have imposed a graded series of fines on those who ignore the requirement for permission for a second child. In such settings, state control of resources makes penalties like limited housing and reduced access to schools

powerful and enforceable. Some wealthier units are found in urban areas like Shanghai and Beijing.<sup>21</sup>

In less affluent provinces, where poverty is more common and per capita income is modest, abortion and/or sterilization are often required of those whose pregnancies are outside the plan. Providing benefits to supporters of the one child family is more difficult in a rural setting because the cost is hard to absorb in the community and the administrative structure is not suitable for long-term enforcement. Single acts like insertion of an IUD, an abortion or sterilization may well be more efficient in these communities.

Of course, the reality is more complicated. Nonetheless, a recent graduate student study at Yale under the direction of Deborah Davis-Friedmann suggests that broad categories of economic well-being divide those provinces where coercive policies appear to be more common and those where such an approach is less prominent.<sup>22</sup>

In 1986, it is clear that the leadership has become increasingly aware of the need for exceptions to the single child family policy. Though its language should be read carefully, the Wan Li speech of March, 1986, indicates that exceptions are now much more common. In this speech, Wan Li took account of the different paths for birth planning implementation and reaffirmed the need to be responsive to local conditions. He congratulated the hard workers, reaffirmed the need to reduce the coercive aspects of the program, and restated the government's long-range commitment; yet he strongly asserted the desirability of local options.

Wan Li spoke of local differences, not simply the technological problems of appropriate birth control mechanisms, but also the fact that in sparsely populated communities (especially when the husband requires a child able to assist him or when distances leave a family relying on its own members), "hardship" can be presumed and calls for an exception to the single child injunction. In recent years, there has apparently been a trend toward recognizing "exceptions."

It is impossible to be precise about the extent to which such "exceptions" are allowed. The figures suggest that no major changes in birthrates have occurred. Still, the broadened call to heed local conditions apparently permits more leniency to local authorities. Some observers believe that a second child is permitted if the first is a girl. The realities of rural life and traditional exogamous marital customs seem

(Continued on page 281)

<sup>18</sup>A good example of this system and its effectiveness is afforded by the experiences of Liaoning province reported in FBIS, October 28, 1981, and November 4, 1981.

<sup>19</sup>Dudley L. Poston Jr., "Patterns of Contraceptive Use in China" (Paper presented at the annual meeting of the Psycho-Social Workshop in San Francisco, California, April 1-2, 1986).

<sup>20</sup>One must be extremely cautious in assessing the effect of the penalty and reward system structures. The data are limited to anecdotal reports of visitors and some information from broadcasts and publications. The fact that rewards and penalties exist does not mean that they are the primary reason for compliance.

<sup>21</sup>The three major cities of China—Beijing, Shanghai and Tianjin—are model cities for conformity with the single child family policy. Housing is perhaps the most important resource for insuring compliance. It is also true that these highly urbanized populations probably share many of the government's values and concerns. See Poston, op. cit., p. 29.

<sup>22</sup>E. Ann Itakura, "Regional Variations of the Single Child Family Policy in China" (Unpublished seminar paper, Sociology Department, Yale University, Spring, 1986). Cited by permission.

**Joyce K. Kallgren** is a professor of political science at the University of California, Davis. She is the author of a chapter on China's birth policies in Elizabeth Perry and Christine Wong, eds., *The Political Economy of Reform in Post-Mao China* (Cambridge: Harvard University Press, 1985).

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# BOOK REVIEWS

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## ON CHINA

**THE BURNING FOREST: ESSAYS ON CHINESE CULTURE AND POLITICS.** *By Simon Leys.* (New York: Holt, Rinehart and Winston, 1986. 257 pages, notes, appendix and index, \$16.95.)

This collection of book reviews and essays is a good introduction to Leys's work; his fascination with China shows through all his writings, and his enthusiastic explanation of things Chinese is infectious. Leys is unremittingly antagonistic toward the Chinese Communist party, and in his rush to criticize he sometimes becomes dogmatic, as in his defense of "democratic" Taiwan. Some may be put off by his dismissive, condescending tone, and fellow China watchers will note that Leys finds fault with every sinologist but himself. W.W.F.

**CHINA TAKES OFF: TECHNOLOGY TRANSFER AND MODERNIZATION.** *By E. E. Bauer.* (Seattle: University of Washington Press, 1986. 227 pages, photographs and footnotes, \$20.00.)

The title notwithstanding, this book is not a technical treatise but a narrative travelogue of an American in China. Bauer spent 5 years in China as a Boeing Company representative, helping the Chinese take delivery of Boeing 747 jets. Businesspeople will find Bauer's comments on business dealings with the Chinese instructive; he found them rigid, parsimonious and unwilling to make individual decisions. However, Bauer's observations and explanations of Chinese behavior and attitudes are sometimes too trite or simplistic. W.W.F.

**MODERN CHINA AND ITS REVOLUTIONARY PROCESS: RECURRENT CHALLENGES TO THE TRADITIONAL ORDER, 1850-1920.** *By Robert Scalapino and George Yu.* (Berkeley: University of California Press, 1986. 814 pages, photographs, notes, bibliography and index, \$65.00.)

In the first volume of a projected three-volume work on the growth of modern China, Scalapino and Yu chart the social, intellectual, cultural and political changes that preceded the emergence of Chinese Marxism. Beginning with the Taiping Rebellion, and continuing through the 1911 Revolution, the authors provide an interpretive history of the first attempts to modernize China's political, social and economic life. W.W.F.

**THE POLITICAL ECONOMY OF REFORM IN POST-MAO CHINA.** *Edited by Elizabeth Perry and Christine Wong.* (Cambridge: Harvard University Press, 1985. 331 pages, notes and index, \$14.00.)

This two-part study focuses on how the economic reform has affected the agricultural and industrial sectors of the Chinese economy. Some of the papers on agriculture are too technical for the general reader, but in general the book provides an informative analysis and discussion of the most important aspects of the economic reform program. The chapters by Joyce Kallgren on the single-child family, Elizabeth Perry on the increase in rural violence, Susan Shirk on the politics of industrial reform and Barry Naughton on the financial reforms are especially interesting. W.W.F.

**CHINA: LONG-TERM DEVELOPMENT ISSUES AND OPTIONS.** *By the World Bank.* (Baltimore: Johns Hopkins University Press, 1985. 183 pages, notes and maps, \$29.95, cloth; \$14.95, paper.)

Those requiring in-depth analysis and discussion of China's economic development will find this World Bank study indispensable because of its breadth and up-to-date information. W.W.F.

**CHINA, TAIWAN, AND THE OFFSHORE ISLANDS.** *By Thomas E. Stolper.* (Armonk, New York: M. E. Sharpe, 1985. 170 pages, notes, appendix, bibliography and index, \$30.00.)

While it is based on extensive research, Stolper's thorough review of the "Quemoy-Matsu Crisis" adds little new information to events that brought the United States and China to the brink of war. However, this is a cogent, readable history of each country's diplomatic maneuvering. W.W.F.

**CRIMINAL JUSTICE IN POST-MAO CHINA: ANALYSIS AND DOCUMENTS.** *By Shao-chuan Leng and Hungdah Chiu.* (Albany, New York: State University Press of New York, 1985. 330 pages, notes, bibliography and index, \$39.50, cloth; \$19.50, paper.)

This first book-length study of the Chinese criminal justice system offers extensive analysis and description of the new criminal codes enacted since Mao's death. The appendix includes selected texts of the criminal law and excerpts from the 1982 constitution. W.W.F.

**THE SINO-VIETNAMESE TERRITORIAL DISPUTE.** *By Pao-min Chang.* (New York: Praeger, 1986. 119 pages, notes and appendix, \$29.95, cloth; \$9.95, paper.)

China and Vietnam have clashed repeatedly over their land border, the Gulf of Tonkin and the Spratley and Paracel islands. Chang analyzes the history of the disputes since the end of the Vietnam War. ■

## CHINESE TRADE

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lation—and 80 percent of all Chinese are still down on the farm. But the modern industrial sector is rather more sensitive to trade and foreign investment. If the strategy is to balance import expenditures with export earnings, there may be an overall slowing, particularly if oil prices remain low.

Thus China is a proto-NIC, with the potential and many of the emerging structural and strategic characteristics of rapid economic growth. But if indeed the Chinese leadership wants China to catch the Pacific Basin NIC bandwagon, further adjustments in basic strategies (a shift in priorities away from internal development toward globalization, less bureaucracy, for example) will be necessary.

What is the future of Chinese foreign trade and the Open Door? The political front appears relatively quiet. The language of the seventh five year plan is remarkably restrained and confident. While Deng and his colleagues have been able to place their followers in key positions throughout the bureaucratic structures of the state and party, opposition remains.

The importance of the opposition should not be ignored, since the issues it has seized are related to the Open Door and to foreign trade. First, some "leftists"—mostly found in the army—object to the redirection of the revolution itself, away from an egalitarian ideal to more mundane welfare politics. That the regime has had to pick up the theme that a little inequality is necessary before everybody prospers is a sign of this struggle.

There is also entrenched opposition in the bureaucracy itself. No one likes to lose power and influence. Susan Shirk has identified a "Communist coalition" from the inland provinces and central bureaucracy that opposes the Open Door and its coastal focus.<sup>19</sup>

Finally, there are the "unintended consequences" of the reforms. One of them has been inflation, long denounced by China as a disease of capitalism. The authorities no doubt well remember the hyperinflation of the late 1940's that did so much to undermine the legitimacy of Chiang Kai-shek's regime.

As controls have loosened, cases of overt corruption have surfaced. The most notorious was a scheme concocted by officials on Hainan Island, an economic development zone with low tariffs, to import luxury consumer electronics and automobiles for eventual and highly profitable resale elsewhere. Foreign businesspeople tell of not very well disguised solicitations from

officials, complete with Swiss bank account numbers.

The regime has moved with severity in this area. In January, 1986, the Central Political and Legal Committee, headed by Qiao Shi, a long-time ally of Hu Yaobang's, was set up to fight corruption; as if to emphasize the importance of the job, Qiao was elected to the State Council as a Vice Prime Minister in April, 1986.

## THE BUSINESS CLIMATE

In addition to the political ferment that surrounds foreign trade, the business environment for China's foreign partners remains difficult at best. The bureaucracy remains an obstructionist, meddling and sometimes hostile mystery to most foreign businesspeople. Operating costs are extremely high: hotels, in which most foreigners reside, charge luxury rates for no-frills rooms and haphazard service. Government labor offices levy a premium for untrained Chinese employees. Chinese domestic markets remain largely closed to foreign firms. Repatriation of profits is difficult, and companies may be compelled into inefficient, if creative, countertrade arrangements. Tariffs and taxes, while sometimes beneficially applied—as in the case of the special economic zones in southern China—are higher than they are elsewhere in Asia. The emerging legal system is untested and sometimes vague.

But despite the complaints of foreigners and the political and economic difficulties China faces, the Open Door policy will apparently continue. Deng Xiaoping, the chief architect of the policy, put the Open Door in a developmental context in a 1984 speech: "Isolation would prevent any country's development." "Can we quadruple production . . . if we pursue a closed-door policy?" Deng acknowledged that there may be "negative effects," but "they are not difficult to overcome." "We must open ourselves to the outside world. It will not hurt us."<sup>20</sup>

If the political authorities are sanguine about the future, however, what does the new central plan suggest? At first glance, the goals set for foreign trade over the next five years seem attainable. According to the plan, Chinese trade will grow at an annual average rate of 7 percent, attaining a two-way total of \$83 billion. Not surprisingly, the authorities have set export targets higher than import targets: exports are expected to grow at 8.1 percent, imports at only 6.1 percent.

Indeed, the plan is somewhat low-key about trade. It suggests that trade will simply keep pace with the growth planned for in other sectors. Overall, trade will grow by 40 percent over the five years; the total output value of industry and agriculture will grow by 38 percent; and GNP, the plan says, will increase by 44 percent.

But when the numbers given in the plan are studied, a degree of unreality surfaces. First, it is clear

<sup>19</sup>Susan Shirk, "The Domestic Political Dimensions of China's Foreign Economic Relations," in Kim, op. cit.

<sup>20</sup>See "What Deng Says (IV): Open Policy Will Not Change," *Beijing Review*, vol. 28, no. 7 (February 18, 1985), p. 15. See also "Open Policy Essential to Socialism," *Beijing Review*, vol. 28, no. 13 (April 1, 1985), pp. 15–22.



that the plan's forecasts are based on the low Ministry of Foreign Economic Relations and Trade figure for 1985 trade. With that base and the growth rates given in the plan, Chinese trade will run annual deficits of \$7 billion over the next five years; the cumulative five-year deficit, in fact, would reach over \$36 billion. A straight-line projection shows that Chinese trade would not come into balance until 1999.

Unless China moves toward large-scale foreign debt or unless the terms of trade improve dramatically, the details of the plan are questionable. The control and restraint implicit in the plan will have to be tighter than the document suggests. This is underlined when the announced plans for 1986 are studied: the projected volume of \$56.8 billion represents a drop of almost 20 percent from 1985. Imports will have to be reduced; the clear hope is that exports will increase.

### THE OUTLOOK

The uncertainties contained in the plan as it has been released to the West hardly help the Chinese case for improved trade relations. At the macro level, Chinese trade will increase, but it will not threaten world trade giants. At the micro level of the firm, opportunities are good for those who are prepared for Chinese realities. The continuing foreign exchange crunch means that the Chinese will remain selective in their imports and will pressure foreign partners for exports, investment and market development. The stress will stay on infrastructural development: energy, transport, basic industries, technology transfer. While some difficulties in the business environment will probably be resolved, particularly with respect to living conditions and increased regularity and conformity with international business practices, access to the broad Chinese domestic market will stay limited.

Finally, questions must be raised about the long-term effect of foreign trade and the Open Door. It seems clear from the rhetoric that, as Deng has put it, some "veteran comrades . . . harbor . . . misgivings." It seems equally clear that the regime remains committed to the central features of a Communist state. Yet foreign influences, once set, are not that easy to shake.

In a more speculative vein, there are questions about the double effect of the passing of a revolutionary leadership generation and the influence of the proto-legal system that has been constructed to handle economic contact with foreigners. As a grayer, more "establishment" group comes to power, the convenience of a façade, at least, of legal niceties may spread beyond the foreign trade sphere.

In sum, the immediate outlook appears steady, but not radiant, for foreign trade. At the same time, great changes have taken place. The safest conclusion is one of hopeful realism, moderated by the realization that China can produce no end of surprises. ■

## CHINA'S ECONOMY: REFORM AND STATE CONTROL

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for development over the next five years. Through 1987, macroeconomic controls will be enhanced to reduce excessive investment in fixed assets and to check the rise in wages in order to balance total supply and demand across the nation. Enterprises are to be urged to develop lateral economic ties, rather than responding to vertically dictated plans. Only in the last three years of the plan is economic structural reform to be emphasized, but the means for doing so are not detailed in the published excerpts from the document.<sup>18</sup>

### A TRANSITION ECONOMY

At this juncture, then, the Chinese economy is in transition. Some of China's leaders would like to let go in the hope that this will induce an elusive industrial takeoff, but others fear the destabilization of the state-run economy. In this transitional period, it is difficult to evaluate the reform's effectiveness. It may be true that to make the reform effective, the entire economic framework must be totally revamped; this might entail the abolition of state ownership and the institution of a full-scale price reform that would spell the end of central planning. But it is not certain that measures meant to stimulate economic initiative will have overall positive effects for this still developing and resource-limited country.

Moreover, the reforms have been accompanied by disquieting side effects that have more than once troubled China's leaders. There has been mass dissatisfaction over wage changes that have not kept pace with inflation set off by reforms; there is abuse of power by officials who have taken advantage of loopholes in the dual price structure because some prices are state-set, while others may float or be set by market forces; and there is bribery, tax evasion, speculation and smuggling, as central controls over the firms have slackened.<sup>19</sup>

These are very serious issues for China's leaders. Nonetheless, a recent official statement defends China as a genuinely socialist country. Evidently China's leaders intend to move from this transition period only gradually, combatting crime with "socialist legality," inculcating "socialist culture and ethics," retaining public ownership, attempting to forestall disparities in private incomes, and "guiding" the market-oriented reforms with the help of omnipresent state planning. ■

<sup>18</sup>Excerpts from the plan appear in *Beijing Review*, no. 17 (1986).

<sup>19</sup>An article detailing these abuses and linking them to the transition period appeared in *Guangming ribao*, March 22, 1985, p. 3, and was translated in FBIS, April 8, 1986, pp. K4-K6.

## SINO-JAPANESE RELATIONS

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in an agreement being negotiated between Nissan Motors and Jilin provincial authorities to build a pickup truck and van plant, Nissan insisted that the province agree not to export the completed vehicles. Japan's Prime Minister was recently assured that China's domestic market is so large that products resulting from technology transfers from Japan would not affect Japanese industry. Still, Chinese authorities tend to favor foreign investors in export-oriented industries, place restrictions on sales in China from certain joint ventures, and require that joint ventures roughly balance their foreign exchange accounts.<sup>13</sup> All this points toward more exports from China aimed at the Japanese market. Japanese businesses, however, could reduce the domestic effects of such exports by reselling them in third-country markets.

### JAPAN'S ROLE IN THE FOUR MODERNIZATIONS

By the spring of 1984, it was increasingly apparent that Japan was playing an important role in China's four modernizations program. The primary goal of the program is to transform China into a "powerful, modern, socialist country by the end of this century." The magnitude of Japan's role can be glimpsed by analyzing its contributions in seven aspects of China's modernization program.

First, Japan has provided substantial financial assistance to China for the program. In addition to \$8 billion in credits offered by Japanese commercial banks in 1979, the Japanese government has committed itself to providing 770 billion yen (\$3.6 billion) in official development loans and over \$4.4 billion (\$2 billion in 1979 and \$2.4 billion in 1984) in Ex-Im Bank loans. These credits have been an important factor in upgrading China's industrial sector and have helped finance several key modernization projects, like building and expanding the railway system and constructing hydroelectric power projects, port facilities and a steel complex.

Second, Japan has been the primary source of China's imports of industrial plants. From 1978 to 1985, China selected Japan as the supplier for more than 48 percent of its imports of whole plants and high technology. Of the \$16.9 billion in such contracts China signed with foreign firms during this period, Japan accounted for over \$8.1 billion. By contrast, the United States share was a mere 10.1 percent and

the West European share was 38.2 percent over the same period.<sup>14</sup>

Particularly important for China's modernization programs are the new plants imported from Japan since 1978. By 1983, China had signed 97 contracts with Japan for plant imports. Of these contracts, 74 were signed under the terms of the 1978 Long-Term Trade Agreement; the remaining 23 contracts were signed under other arrangements. By the end of 1983, 54 of these plants had been completed or were almost completed. These modern, sophisticated, turnkey plants have contributed significantly to the development of several key industries in China.

Perhaps the single most important project involving Japanese economic and technical assistance has been the Baoshan steel complex. In addition to providing state-of-the-art machinery and equipment for the project at favorable terms of financing, Japan sent over 200 technicians and supervisors to assist 50,000 Chinese workers in the construction of the complex. Furthermore, the Nippon Steel Corporation trained 1,000 Chinese steelworkers and technicians at its production facilities in Japan during 1984-1985, while dispatching 320 Japanese technical personnel to help operate the steel mill during the same period.

Third, in addition to modern turnkey plants, since 1981 Beijing has counted heavily on Japanese help in renovating existing factories. China's plans called for the renovation of 3,000 key factories, of which more than 300 were earmarked for Japanese guidance.<sup>15</sup> By 1985, 103 projects with Japanese firms were under way. Most factories placed under Japanese guidance for renovation from 1981 to 1985 produced consumer goods, but other plants made plywood, chemicals, machinery and pharmaceuticals.

Fourth, Japan has concluded many agreements on technical assistance and cooperation with China, including technical assistance for China's railway modernization, coal liquefaction and electronic communications, in addition to mutual cooperation in the development of the peaceful uses of nuclear energy.

Fifth, since 1978 Beijing has sent many Chinese technical personnel to receive training in Japan. For example, between 1978 and 1984, the Japanese International Cooperation Agency (JICA) sponsored 967 Chinese technical students in Japan. Japan has also trained many Chinese managerial students and has sent several hundred advisers and consultants to China to work on a short-term basis. Finally, as of May, 1985, there were more than 2,500 Chinese students studying in Japan.

Sixth, significant progress in Sino-Japanese cooperation has been made in the area of energy and resources development. The Ex-Im Bank of Japan has allocated \$940 million to help finance the development of seven coal mines in China. The total production capacity of the seven coal mines is targeted

<sup>13</sup>Teresa Ma, "Japan, Still a Bridge Too Far," *China Trade Report*, vol. 22 (October, 1984), p. 1.

<sup>14</sup>Nitchu Keizai Kyokai, *Nitchu Keizai Koryu 1985 nen* (Tokyo, 1986), pp. 214-216.

<sup>15</sup>For a detailed analysis see Hong N. Kim and Richard K. Nanto, "Emerging Patterns of Sino-Japanese Economic Cooperation," *Journal of Northeast Asian Studies*, vol. 4, no. 3 (Fall, 1985), pp. 35-36.

at 21.5 million metric tons a year when the projects are completed by 1987. In addition, two new coal mines (the Zunger mine in Inner Mongolia and the new Dongqu mine in Shanxi province) will be developed with the new round of credits provided by the Ex-Im Bank (\$2.4 billion, signed in December, 1984). When these two mines are fully developed by 1992, they may produce 38 million tons of coal per year.<sup>16</sup>

Sino-Japanese economic cooperation has also been successful in developing China's petroleum resources. In 1980, the Japanese National Oil Corporation concluded a contract with China to explore and develop jointly the southern and western areas of the Bohai Gulf. This was the first joint venture agreement China signed with a foreign country in its offshore oil development projects. The Ex-Im Bank of Japan agreed to finance the joint venture, including \$520 million for China's share of the development cost. Full-scale production of offshore oil began in September, 1985; the first shipment of oil reached Japan in the fall of 1985. Meanwhile, Japanese firms have been expanding their activities elsewhere on China's continental shelf.

Last, joint ventures are another area of bilateral economic cooperation. Since the enactment of the Joint Venture Law in 1979, China has tried to attract Japanese equity investment. Most potential Japanese investors tended to be cautious and waited for the legal framework to be clarified. Until August, 1984, the Japanese had invested only \$23 million in 22 ventures. In 1985, however, there was a significant increase in Japanese participation in joint ventures in China. Japanese participation increased because of Beijing's enactment of the "Sino-Foreign Contract Law" and other legislation designed to strengthen the safety of foreign investment in China, and because Tokyo decided to extend its "foreign investment insurance" for Japanese firms investing in China. By September, 1985, the Japanese had set up 126 joint ventures with the Chinese.<sup>17</sup>

The future of Sino-Japanese relations appears generally favorable. In view of China and Japan's substantial disagreements with Moscow, there seems to be little prospect for a major breakthrough in either Japanese-Soviet or Sino-Soviet relations in the near future. The Soviet Union has little to offer China in terms of high-technology machinery and equipment or consumer goods, while Beijing and Tokyo view trade with each other as both necessary and beneficial.

Currently, imports from Japan are being curtailed, but this appears to be only another phase in the cycle of liberalization and retrenchment in China. If Japan does not reduce the bilateral trade deficit and offer

even more substantial inputs into the Chinese growth process, however, China may turn toward North America and Europe for goods and technology. While Japan is likely to remain China's major trading partner, political forces in China may intervene to direct some trade elsewhere. Still, this relationship, although dampened by occasional problems, is sure to add to the economic vitality of each country. ■

## SINO-AMERICAN RELATIONS

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the United States, Japan and China aimed against the Soviet Union, in retrospect it appears that perceptions of the nature of this relationship in Washington differed from those in Beijing. Whereas Washington was thinking in terms of an alliance, Beijing was thinking in more traditional terms of a looser relationship, a "united front." This difference of perception became apparent with the Chinese invasion of Vietnam, which followed close on the heels of Deng Xiaoping's visit to the United States in early 1979. The decision to invade Vietnam was taken without consultation with the United States, though the timing lent credence to the idea that the United States had given tacit approval to China's plans during Deng's visit to Washington.

A year after the normalization of relations, Secretary of Defense Harold Brown visited China. Because his visit followed only by a month the Soviet invasion of Afghanistan, the Chinese were particularly receptive to his raising of the topic of strategic cooperation with the United States. Following this visit the United States removed China from the category assigned to Warsaw Pact nations under the Munitions Control Act, thereby legalizing United States arms sales to Beijing. Initial negotiations for such sales involved exclusively "nonlethal," "defensive" armaments.

With the appointment of Secretary of State Alexander Haig, President Reagan began to reassure Beijing. Haig visited China six months after President Reagan's inauguration in 1981 and reaffirmed American willingness to approve, on a case-by-case basis, the sale of nonlethal military equipment to China.

Two years later, when Secretary of Defense Caspar Weinberger visited China, talks on strategic cooperation resumed. They continued during the return visit to the United States of Zhang Aiping, China's minister of national defense. Among the agreements reached during the Zhang visit was one calling for a port visit to Shanghai by United States warships. Prompted by New Zealand's actions, the Chinese insisted that any ship visiting China should not carry nuclear arms. Because the United States will not divulge information on whether a ship is carrying nuclear weapons or not, the port visit was canceled.

The gradual easing of restrictions on the export to China of military-related technology resulted in a

<sup>16</sup>Nitchu-Keizai Kyokai, *Nitchu Keizai Koryu 1984 nen* (Tokyo, 1985), pp. 132-134.

<sup>17</sup>*Nitchu Keizai Koryu 1985 nen*, p. 40. By the end of 1984, total Japanese equity investment in 57 joint ventures in China amounted to \$120 million.



doubling (from 2,020 to 4,097) of sales approved by the United States government between 1982 and 1984. On the other hand, China's requests quadrupled over the same period. As a result, the percentage of requests granted under newly eased restrictions actually declined from 86 percent in 1982 to 46 percent in 1984.<sup>8</sup>

In January, 1985, General John W. Vessey, chairman of the Joint Chiefs of Staff, visited China. During the year following this visit, several agreements were reached regarding initial sales of military material to China. The first contracts called for the sale of military helicopters and naval boat engines. In September a contract was negotiated for the sale of equipment to manufacture artillery ammunition. Subsequently, in January, 1986, an agreement was negotiated calling for the modernization of navigation and fire control radar equipment for Chinese F-8 high-altitude interceptor aircraft.

Several factors militate against further arms sales and the rapid development of security ties between the United States and China. Washington and Beijing believe that Moscow will view closer Sino-American security ties with alarm. Neither side sees an advantage in alienating the Soviet Union. Indeed, current Chinese foreign policy calls for the encouragement of a rapprochement between Beijing and Moscow. While insisting on the resolution of the "Three Obstacles" standing in the way of such a rapprochement, the Chinese nonetheless believe that improved relations with the Soviet Union will prove to be an advantage to China.<sup>9</sup> Similarly, close security ties between the United States and China would work to the disadvantage of the United States, because such ties would have a destabilizing effect on relations between the Soviet Union and the United States.

China is more interested in importing American technology than it is in importing the products of American technology; this is a factor in limiting future arms sales. The shortage of foreign exchange also exerts a restraining influence. More important is China's reluctance to become dependent on a foreign supplier for key military hardware.

In setting forth the program known as the four modernizations—the modernization of agriculture, industry, science and technology and defense—Chinese planners made it clear from the outset that the modernization of the military must be preceded by the

<sup>8</sup>Figures drawn from Deng-ker Lee, "An Analysis of Washington-Peking Security Ties: Gains versus Risks," *Issues and Studies*, vol. 22, no. 3 (March, 1986), pp. 11-33.

<sup>9</sup>The Three Obstacles are the Soviet occupation of Afghanistan, Soviet assistance to Vietnam in its conflict in Kampuchea and the presence of Soviet troops and missiles on China's northern border.

<sup>10</sup>This view is expounded by Roger W. Sullivan, "US Military Sales to China: How Long Will the Window-shopping Last?" *China Business Review*, vol. 13, no. 2 (March-April, 1986), pp. 6-9.

modernization of industry and the development of China's capacity to supply its own military needs. China's priorities were confirmed with the decision last summer to reduce the troop strength of the People's Liberation Army by 25 percent (from approximately four million to three million men). This decision suggests that for the moment the Chinese are postponing the upgrading of military hardware in favor of the development of civilian industry.<sup>10</sup>

## CONCLUSION

Relations between the United States and China in 1986 are healthy but fragile. The relationship has become multifaceted, encompassing foreign policy, trade and investment, security ties and cultural relations. However, from the perspective of both Beijing and Washington, each of these facets involves potential stumbling blocks, and the existence of these stumbling blocks requires careful management. ■

## CHINA IN SOUTHEAST ASIA

(Continued from page 252)

Aside from the Kampuchean issue, however, China has little or no leverage on the ASEAN states. From the 1950's to the early 1970's, Beijing used Communist parties in Southeast Asia as an adjunct to its foreign policy by supporting armed struggle against unfriendly and pro-Western governments. The Communist party of Thailand (CPT), the Malaysian Communist party (MCP) and the Communist party of the Philippines-Marxist-Leninist (CPP-ML) (all of whom followed Maoist strategies of revolution and supported China's international stance) were provided with material support and clandestine radio stations on Chinese territory.<sup>22</sup> Whether or not China expected any of these armed insurgencies to seize power, they raised the cost to the anti-Communist governments of supporting United States military activities in the region.

In the mid-1970's, however, Beijing wanted to improve relations with the ASEAN states, and found that its relations with the Communist parties in the region were an obstacle to that goal. China had to downgrade those relations and reduce or cut off material support in order to avoid political friction with the four ASEAN states in which Communist activities were an immediate or a potential problem.<sup>23</sup> China reduced arms aid to the CPT guerrillas, forced the party to suspend its broadcasts from Chinese territory and, after the Vietnamese occupation of Kampuchea, persuaded its leaders to seek a truce with the government.

<sup>22</sup>See Jay Taylor, *China and Southeast Asia: Peking's Relations with Revolutionary Movements*, 2d ed. (New York: Praeger, 1976).

<sup>23</sup>See William R. Heaton, "China and Southeast Asian Communist Movements: The Decline of Dual Track Diplomacy," *Asian Survey*, August, 1982, pp. 779-800.



While downgrading its ties with Communist movements in the region, Beijing has been unwilling to cut them off completely, except possibly for the CPP-ML. China's argument is that minimal ties with those parties are necessary in order to make sure that the Soviet Union and/or the Vietnamese do not control them. While some key Thai officials have accepted that rationale in the past, Singaporeans, Malaysians and Indonesians are more skeptical. Some ASEAN officials believe that China is driven mostly by institutional interests, especially by the international liaison department of the party, to maintain contacts with Southeast Asian Communist parties.

ASEAN governments continue to demand that China formally renounce relations with illegal parties and claim that continuing contacts work against Chinese influence in the region. At the same time, the Beijing-oriented parties themselves have dwindled into insignificance in every ASEAN country.

The Kampuchean conflict remains the sole issue on which Beijing can assert itself as a regional power. In its absence China almost certainly faces a drift within ASEAN away from cooperation with China and toward regional accommodation at China's expense. China's weakness as a regional power would then be dramatically evident. China therefore has strong incentives, both emotional and strategic, to sustain the Kampuchean war as long as it can. ■

## SINO-SOVIET ESTRANGEMENT

(Continued from page 248)

Sino-Soviet relations. Between the fall of 1982 and April, 1986, eight rounds of Sino-Soviet consultations were held at the vice foreign minister level. These meetings, alternating between Moscow and Beijing about every six months, have become institutionalized as a channel of Soviet and Chinese contact. After each recent meeting, Chinese Foreign Ministry spokesmen have repeated China's complaint that the Soviet Union is unwilling to take concrete steps to remove the Three Obstacles from the road of Sino-Soviet normalization. In his foreign policy report to the fourteenth session of the sixth National People's Congress on January 16, 1986, Foreign Minister Wu Xueqian said that despite some improvements in Sino-Soviet relations during 1985, "no fundamental improvement has ever been in sight in the political relations between the two countries." Wu asserted that Soviet officials should confront the Three Obstacles rather than avoiding them, and he suggested that the first priority should be "for the Kremlin to stop supporting Vietnam in its aggression against Kampuchea."<sup>11</sup>

<sup>11</sup> *Beijing Review*, vol. 29, no. 4 (January 27, 1986), p. 5.

<sup>12</sup> Alfred Wilhelm, "National Security: The Chinese Perspective," in U. Alexis Johnson et al., *China Policy for the Next Decade* (Cambridge, Mass.: Oelgeschlager, Gunn and Hain, 1984), pp. 181-219.

What does all this mean? It is true that Chinese and Soviet interests clash in Afghanistan and Kampuchea. The Soviet goal of pacifying Afghanistan is frustrated, in part, by Chinese support of the resistance movement. Beijing's goal of loosening Vietnam's grip on Kampuchea and promoting Chinese influence in Indochina is frustrated by Moscow's strong support of Hanoi. Soviet and Chinese officials continue to trade bitter charges on these issues. Both conflicts are already long, drawn-out affairs that are unlikely to be settled in the near term, but neither involves the vital interests of the Soviet Union or China. (Although the Soviet-Vietnamese alliance may enhance Moscow's military encirclement of China, it is the issue of Vietnamese involvement in Kampuchea rather than the Moscow-Hanoi axis itself that Beijing includes as one of the Three Obstacles.)

Moscow has repeatedly stated that it will not normalize relations with Beijing at the expense of third parties. Until solutions to the Kampuchean and Afghan problems are arrived at outside the arena of Sino-Soviet relations, two of the Three Obstacles will remain.

The issue of Soviet troop concentrations along the Chinese border is more amenable to face-saving diplomatic solutions; the Soviet Union might reduce the strength of some units and relocate others without substantially reducing its strategic advantage vis-à-vis the Chinese. In any case, although China continues to upgrade its military capabilities, the Chinese no longer express anxieties about an imminent Soviet military threat. Substantial numbers of Chinese soldiers have been demobilized and defense industries have been shifted to civilian production (for example, the Chinese air force is going to enter the civilian air charter market).

The key to the meaning of the Three Obstacles may be found in China's overall foreign policy posture, particularly its stance toward the superpowers. Since 1982, China has proclaimed an independent foreign policy, which eschews strategic relations or alliances with any large power or bloc of powers. Terming both the United States and the Soviet Union "hegemonists," the Chinese criticize aspects of both Soviet and American foreign policy even while developing relations with both of them. In the relationship with the United States, the question of Taiwan has both real and symbolic importance; it is the issue Washington and Beijing have failed to resolve. In Alfred Wilhelm's perfect metaphor, the Taiwan issue is the nuclear control rod that Beijing raises and lowers to regulate the temperature of Sino-American relations.<sup>12</sup>

In Sino-Soviet relations, the Three Obstacles perform an analogous function. Beijing's insistence that the Soviet Union remove the Three Obstacles is a kind of symbolic assertiveness that enables the Chinese to enhance their sense of autonomy even as they intensify their economic cooperation and cultural exchanges

with the U.S.S.R. The Three Obstacles (like the Taiwan issue) guard against the Chinese proclivity to fall into the arms of one or another external patron only to recoil later in frustration and anger. They are a back brace for China's independent foreign policy.

The Three Obstacles also reassure the United States and others in the West about the limits of Sino-Soviet rapprochement. In this sense, the Three Obstacles are not a barrier but a Chinese screen to shield the amelioration of Sino-Soviet relations. Meanwhile, Americans can continue to develop their relations with the Chinese, secure in the belief that Sino-Soviet relations can progress only until they run aground on the Three Obstacles.

In conclusion, although the estrangement between China and the Soviet Union may have ended, it would be naive to expect anything approaching accord on all issues between two large contiguous powers with such different histories and divergent national interests. Vice Prime Minister Li Peng's remark to a group of United States journalists made the point: "We hope that China and the Soviet Union will become good neighbors, but they will not become allies." Originally, China linked the normalization of bilateral relations with the Soviet Union to changes in Soviet foreign policy (Afghanistan, Kampuchea)—a link that Moscow rejected. Yet the steady improvement in Sino-Soviet relations has occurred despite the Kremlin's position. It may be concluded, then, that the movement toward normalized relations has occurred largely on Soviet terms.

The Chinese, for reasons of their own, have welcomed progress in Sino-Soviet relations; at the same time they want to avoid the appearance of caving in to Moscow or withdrawing their demands for linkage. Although the Chinese assert that no progress has been made in the political relations between the two countries, this claim cannot be taken seriously. To accept it would be to say that trade, economic assistance, cultural exchanges and tourism have no political meaning, to say nothing of high-level visits and official meetings.

China's dependence on the Soviet Union as an unequal partner in the Sino-Soviet alliance of the 1950's was fundamentally out of character with China's history as an independent great power and with its aspirations to regain that status in the modern world. Similarly, the Sino-Soviet enmity of the 1960's and 1970's reflected a concatenation of factors that have either disappeared or lost their potency. At present, the Sino-Soviet relationship exhibits a combination of cooperative and conflictual elements in a balance that neither side has reason to upset. In this sense, the normalization of Sino-Soviet relations has already occurred, without producing any cataclysmic changes in the world balance of power and without adversely affecting the interests of the United States. ■

## CHINA'S MODERNIZATION OF MAO

(Continued from page 268)

leagues are also depicted as Mao's ideological heirs because they are breaking new ground in Communist theory. Just as Mao achieved his greatest triumphs by adapting Marxism-Leninism to the "concrete realities" of the Chinese revolution, so are his successors carrying on that tradition by continuing to develop Mao Zedong Thought under the "new historical conditions" of the 1980's.

### THE FUTURE OF MAO ZEDONG THOUGHT

The bifurcated view of Mao and Mao Zedong Thought allows the present leaders of the party to distance themselves from Mao's mistakes and loosen their policies from his doctrines, while at the same time maintaining enough of Mao's prestige to avoid undermining the legitimacy of Communist rule in China. It also gives those leaders who suffered from Mao's political wrath some measure of vengeance. But the current official interpretation of Mao cannot be ascribed purely to cold political calculation on the part of Deng and his senior colleagues; to do so would be to underestimate the deep sense of kinship they feel with Mao based on common experiences like the Long March of the 1930's and the reverence they have for Mao's achievements.

The view of Mao put forth in official statements is, of course, not the only view of Mao in China today. While there is not likely to be an opinion poll on public attitudes toward the late Chairman, it is fair to assume that sectors of the population who suffered most during the Maoist era (like the intellectuals) hold his memory in less esteem than the official line. Deng Xiaoping's rejection of an early draft of the 1981 resolution on party history for being "too depressing" in its depiction of Mao and for understating the link between current policies and Mao Zedong Thought suggests that even within the higher echelons of the party there are those who would prefer a harsher evaluation of Mao.<sup>11</sup>

On the other hand, some party leaders, like Deng Liqun, a veteran propagandist associated with the 1984 campaign against "spiritual pollution" that many saw as a brief resurgence of radicalism, have expressed views that seem more protective of Mao's reputation. The senior officer corps of the People's Liberation Army, which has offered occasional resistance to the reform program, is also seen as a reservoir of lingering Maoist sympathies.

What of the future of Mao's memory in China? Dramatic shifts in China's political direction could

<sup>11</sup>Deng Xiaoping, "Remarks on Successive Drafts of the 'Resolution on Certain Questions in the History of Our Party since the Founding of the People's Republic of China,'" in *Deng Xiaoping*, pp. 282-283.

produce a profoundly different outlook on Mao: extensive liberalization might unleash true "de-Stalinization," while economic collapse or a severe international crisis might incite a revivalist movement based on a longing for the days when Mao was at the helm. But a more likely scenario is a continuation of current trends.

By the end of the century, power in China will have passed to a new generation of party technocrats, personally less scarred by Mao's misdeeds, but less tied to the legitimacy derived from the early triumphs of the party under Mao. Their attitude toward Mao will probably be less passionate, but they will have little reason to break the mold of Mao's legacy that has been cast by their own mentor, Deng Xiaoping. ■

## FAMILY PLANNING IN CHINA

(Continued from page 272)

to make at least two children desirable.<sup>23</sup>

Western scholars have advocated an alternative to the single child family, namely, two children spaced by eight years.<sup>24</sup> Within China itself, some observers have argued that two children born later in a marriage would achieve the government's goals and be more acceptable. Perhaps in fact, if not in name, this policy is now more common in the countryside.

## POPULATION QUALITY

As the consequences of the single child family program become clear, the Chinese authorities are devoting increasing attention to the quality of the single child. Officials are trying to raise the quality of the population; this policy is reflected in eugenic planning and changes in marital customs (apparently the high degree of intermarriage in selected areas has led to a substantial number of mentally handicapped youngsters) and stressing the medical technology that will permit reversing sterilization when circumstances make this desirable.

<sup>23</sup>See *China Daily*, May 21, 1986, for an article from Guangzhou that is supportive of this argument. The fact that the press gives such prominence to policy changes is especially important.

<sup>24</sup>John Bongaarts and Susan Greenhalgh, "An Alternative to the One-Child Policy in China," *Population and Development Review*, vol. 11, no. 4 (December, 1985), pp. 585-617.

<sup>25</sup>"Speech by Wan Li," p. K7.

<sup>26</sup>"PRC Issues Marriage Registration Regulations," *Beijing Xinhua*, March 14, 1986, in JPRS, April 11, 1986.

<sup>27</sup>In May, 1986, the author was told that the first schools for the mentally retarded were opened in Shanghai in 1979 and in Beijing in 1981.

<sup>28</sup>Research on reversal began as early as 1978 in the city of Changsha in the aftermath of the Tangshan earthquake when physicians tried to develop techniques to reverse the sterilization of women who had lost children in the disaster. Similar research is under way in East China Medical University in Chengdu and in selected hospitals in Xian.

<sup>29</sup>See for example "Old People: A New Problem for Society," *Beijing Review*, vol. 27, no. 4 (January, 1982), p. 10.

Vice Prime Minister Wan Li specifically mentioned the first of these concerns, noting that:

Too many births and poor child care were once commonplace, which has caused a negative effect on the development of our nation[;] . . . the question of eugenics and good child care still has not yet received much attention. It should be understood that serious hereditary diseases have an enormous harmful effect on descendants . . . For this reason it is imperative to avoid marriage between close relatives so as to prevent the birth of abnormal babies and the perpetuation of hereditary diseases.<sup>25</sup>

The 1986 marriage regulations detail implementation.<sup>26</sup>

Chinese leaders have also addressed the problems of the physically handicapped and their need for jobs, with the emphasis on self-support. The effort is primarily focused on urban populations and is still in its infancy. Special schools for the retarded confined at present to selected urban areas now supplement schools for the blind and the deaf-mute.<sup>27</sup> Given a growing concern with those in the population who are physically or mentally handicapped, it is understandable that China's leaders are attempting to mitigate those factors that contribute to the high risk of handicaps.

The development of surgical procedures to reverse sterilization represents an effort to make credible a promise that in the event of the death of a child, the government will permit another pregnancy. Throughout China, hospitals are developing programs of microsurgery and seeking specialist advice with respect to the most successful methods for reversal.<sup>28</sup> However, there is no clear policy on whether sterilization is permitted after a single child. It is certainly permitted, indeed encouraged, in some areas. In other locations it is unacceptable. But the fact remains that except for Sichuan, sterilization is most commonly performed on women and reversal is still a difficult procedure.

One additional development to the single child family policy has been the field of fertility management. Local Family Planning Commission offices undertake fertility studies as well as birth planning.

The care of the single child, the quality of the population and the quality of life are interrelated and fall within the purview of the single child family policy and family planning. The quality of life is of growing importance and has substantial political as well as economic and social consequences.

## OLD PEOPLE: A NEW PROBLEM?

In the initial rush to endorse and carry forward the single child family, there was little mention of the problem of aging. Since the 1982 census, however, the problem of the aged has become more apparent and certainly more worrisome.<sup>29</sup>

What is the problem? In the post-1949 period, the Chinese birthrate remained stable, while the death

(Continued on page 304)

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# FOUR MONTHS IN REVIEW

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*A Current History chronology covering the most important events of April, May, June and July, 1986, to provide a day-by-day summary of world affairs.*

## APRIL, 1986

### INTERNATIONAL

#### ANZUS Treaty (Australia, New Zealand, U.S.)

(See U.S., Foreign Policy)

#### Arms Control

April 3—U.S. officials at the Geneva disarmament conference say that a preliminary agreement has been reached with the Soviet Union on restricting commercial chemicals used for chemical weapons.

#### Contadora Group

April 7—Talks on a final peace plan for Central America end without a formal agreement.

#### European Economic Community (EEC)

April 9—The EEC executive commission says it will restrict the importation of 19 categories of U.S. agricultural goods if the U.S. imposes restrictions on the importation of European agricultural commodities.

April 15—The EEC votes to restrict both the number of personnel at Libyan embassies and the movement of Libyan diplomats in Europe.

#### European Monetary System

(See France)

#### International Monetary Fund (IMF)

April 27—The fund's annual report on the world economy says that the Soviet Union has suffered a sharp economic reversal because of the downturn in oil prices; the Soviet Union is the world's largest producer of oil.

#### International Terrorism

(See also *Intl, UN; Germany, West; Lebanon; Libya; Turkey; U.S., Foreign Policy*)

April 2—A bomb explosion on a U.S. TWA airliner flying from Rome to Athens kills 4 American passengers; the plane lands safely in Greece. A group called the Arab Revolutionary Cells takes responsibility for the attack.

April 5—A bomb explosion in a West Berlin discotheque frequented by U.S. soldiers kills 1 U.S. soldier and a Turkish woman; 230 people are wounded by the blast, including 50 U.S. servicemen. Berlin authorities suspect Libyan involvement in the attack.

April 8—A bomb explodes near a hotel in Bangkok, Thailand, where U.S. Secretary of Defense Caspar Weinberger is staying; 3 people are wounded by the blast.

April 18—Police in London announce that they have arrested a Jordanian man for questioning about the bomb found in a woman's luggage at Heathrow Airport yesterday; the woman says the man, Nezar Hindawi, duped her into carrying the bomb aboard an Israeli plane.

#### Iran-Iraq War

April 6—Iranian helicopters fire missiles at a Saudi Arabian oil tanker in the Persian Gulf, setting it on fire and seriously wounding 6 crew members.

April 25—The Iranian navy stops and searches a U.S. merchant ship carrying goods destined for Iraq; the ship is allowed to proceed.

April 27—Iraq says its planes have set fire to Iran's Kharg

Island oil terminal; an Iranian oil tanker in the Persian Gulf is also hit by Iraqi missiles.

April 29—Iraq says that its forces have caused 4,000 Iraqi casualties in recent fighting; Iraq says its forces have captured 17 Iranian positions.

#### Organization of Petroleum Exporting Countries (OPEC)

April 15—Meeting in Geneva, OPEC ministers reject Libya's request for an oil embargo against the U.S. in reprisal for the U.S. bombing of Libya; 8 of the 13 OPEC members strongly condemn the bombing.

April 21—A majority of the OPEC ministers agree to impose a global oil production ceiling of 16.7 million barrels a day.

#### United Nations (UN)

April 3—Undersecretary General for Special Political Affairs Diego Cordovez says that Afghanistan and Pakistan have agreed to hold talks on the withdrawal of Soviet troops from Afghanistan and on noninterference in Afghanistan's affairs.

April 4—The UN's chief spokesman, François Giuliani, says that the UN will turn over to Israel a secret file on former Secretary General Kurt Waldheim's World War II activities in the German army.

April 20—The Food and Agriculture Organization says that 6 African nations, including Ethiopia and the Sudan, will require food aid in 1986.

April 21—The U.S., Britain and France veto a Security Council resolution condemning the U.S. reprisal attack on Libya.

April 28—The General Assembly approves William Draper 3d as administrator of the UN development program.

Secretary General Javier Pérez de Cuéllar suggests that the U.S. should reduce "its own contribution to . . . 20 or even 15 percent" of the UN's budget; he says other countries should increase their contributions to make up the difference.

#### Western European Union

April 30—The members of the 7-nation military alliance demand that the Soviet Union provide full details on the Chernobyl nuclear accident.

#### AFGHANISTAN

(See also *Intl, UN*)

April 6—Afghan guerrillas detonate a car bomb in downtown Kabul near a hotel used by government and military personnel; 22 people are wounded.

April 24—An Afghan guerrilla commander says that Soviet and Afghan military forces are carrying out large-scale air raids on guerrilla positions in southeastern Afghanistan. Guerrilla leaders acknowledged yesterday that Soviet forces had captured the main guerrilla camp at Zhawar.

#### AUSTRIA

(See *Intl, UN*)

#### BRAZIL

April 17—The Supreme Court says it will honor a U.S. request and extradite a Taiwan national wanted in connection with the killing of a Chinese-American journalist in California.



**BULGARIA**

April 5—The Bulgarian Communist party congress closes in Sofia; Todor Zhivkov is reelected secretary general of the party.

**CHILE**

April 29—At least 13 bombs explode throughout Chile during the night; 1 of the bombs explodes outside the U.S. embassy in Santiago.

**CHINA**

(See also *U.S., Foreign Policy*)

April 16—The government rejects a Soviet offer to hold a summit meeting; it says the proposal is "unrealistic" at this time.

April 20—De facto leader Deng Xiaoping tells a group of visiting Hong Kong dignitaries that he intends to slow the pace of economic reform.

April 26—The U.S. Central Intelligence Agency (CIA) issues a report on China's economy, noting that China has suffered several economic setbacks recently, including a decline in grain production and a tripling of the inflation rate to 8.8 percent.

**DENMARK**

April 30—Prime Minister Poul Schluter says "it is totally unacceptable" that the Soviet Union did not inform neighboring states of the Chernobyl nuclear accident until 3 days after the accident.

**EL SALVADOR**

April 29—Government officials report that a meeting between government officials and guerrilla spokesmen was held on April 26 in Lima, Peru.

**FRANCE**

(See also *Intl, UN; Lebanon; New Zealand*)

April 2—The National Assembly elects Jacques Chaban-Delmas president of the Assembly.

April 6—The government says it has been given approval by the European Monetary System to devalue the franc. Finance Minister Edouard Balladur announces new economic policies, including cuts in public spending and the reduction of price and currency controls.

April 9—Prime Minister Jacques Chirac tells Parliament that he plans to return nationalized plants to the private sector.

April 18—The government expels 4 Libyans because they may "trouble public order."

April 22—Government officials tell reporters that France did not allow U.S. planes to overfly France on their way to bomb targets in Libya because France favored a larger and harder hitting attack on Libya.

**GERMANY, EAST**

April 17—President Erich Honecker opens the 11th congress of the East German Communist party with a speech attacking the U.S. bombing of Libya. Soviet General Secretary Mikhail Gorbachev is attending the congress.

**GERMANY, WEST**

(See also *Intl, Intl Terrorism; Libya; U.S.S.R.; U.S., Foreign Policy*)

April 9—The government announces the expulsion of 2 Libyan diplomats for planning terrorist acts against Americans in West Germany.

**GREECE**

(See also *Intl, Intl Terrorism*)

April 15—The government condemns the U.S. bombing raid on Libya and calls for an immediate meeting of the foreign ministers of the European Community.

April 24—Prime Minister Andreas Papandreu names Antonis Drosyannis public order minister; Papandreu gives up the defense minister portfolio and names Vice President Yannis Haralambopoulos to that position.

**HAITI**

(See also *U.S., Foreign Policy*)

April 15—Justice Minister François Latortue says Switzerland has notified Haiti that it has frozen the Swiss bank accounts of former President Jean-Claude Duvalier.

April 27—The ruling military-civilian council says police acted correctly when they fired on a crowd of demonstrators yesterday, killing 7 people. The demonstration began as a peaceful memorial for those killed and tortured by the Duvalier regime.

**INDIA**

April 5—In Punjab state, Sikh extremists kill 6 policemen in a courthouse raid that frees 3 Sikhs on trial for killing a Hindu editor.

April 30—Paramilitary police raid the Sikh Golden Temple at Amritsar; 200 Sikh militants are arrested in the sweep of the shrine.

**INDONESIA**

April 23—The government forbids a *New York Times* reporter to enter the country to cover the visit of U.S. President Ronald Reagan because it considers the reporter's articles on Indonesia offensive.

**IRAN**

(See *Intl, Iran-Iraq War*)

**IRAQ**

(See *Intl, Iran-Iraq War*)

**ISRAEL**

(See also *Intl, UN; Lebanon*)

April 9—Likud Cabinet ministers warn Prime Minister Shimon Peres that they will resign from the Cabinet if he dismisses Finance Minister Yitzhak Modai. Peres says Modai has been insubordinate and has insulted him as Prime Minister.

April 16—In order to end the political crisis, Modai becomes minister of justice and Moshe Nissim becomes minister of finance.

**ITALY**

April 19—Prime Minister Bettino Craxi says that Italy will respond with "severity" to any Libyan attacks on Italian territory; on April 15, 2 Libyan missiles were fired at a U.S. Coast Guard facility on the Italian island of Lampedusa.

April 26—The government orders 10 Libyan diplomats to leave the country and it restricts the movement of Libyan diplomats living in Italy.

**JAPAN**

(See also *U.S., Foreign Policy*)

April 8—The government approves a multibillion dollar program to stimulate the economy by encouraging domestic consumption; the program includes an increase in public works spending and lower interest rates on loans to small businesses.

April 13—Prime Minister Yasuhiro Nakasone meets with President Reagan at the President's retreat at Camp David.

**KOREA, SOUTH**

April 5—Approximately 50,000 people demonstrate peacefully in Seoul to support changes in the constitution that would allow direct presidential elections.

April 29—Student demonstrations on 2 campuses in Seoul are broken up by riot police; dissident leader Kim Dae Jung criticizes the violent student demonstrations.

### LEBANON

April 3—French cease-fire observers leave Lebanon; they were ordered out by the French government on April 1 because of continued fighting in Beirut.

April 7—Israeli jets bomb suspected Palestine Liberation Organization (PLO) guerrilla sites in two Palestinian districts of Sidon; 2 people are reported killed and 20 wounded.

April 8—At least 11 people are killed and 100 are wounded when a car bomb explodes in the Christian town of Junieh.

April 10—A car bomb explodes in Sidon; 3 people are killed. No group takes responsibility.

April 17—The bodies of 2 Britons and 1 American are found in Beirut; a note found near the 3 men says they were killed in retaliation for the U.S. bombing of Libya.

April 23—The Revolutionary Organization of Socialist Muslims says it has killed another British hostage in retaliation for the U.S. bombing of Libya; the claim cannot be confirmed.

April 25—Nine people are killed in fighting between Muslim and Christian forces in Beirut.

### LIBERIA

April 2—Ellen Johnson-Sirleaf, an opposition politician, is indicted by a grand jury on treason charges; Sirleaf faces the death penalty if found guilty.

### LIBYA

(See also *Intl, EEC, Intl Terrorism, OPEC, UN; France; Germany, West; Italy; Turkey; U.S.S.R.; UK, Great Britain; U.S., Foreign Policy*)

April 8—Brigadier Abu-Bakr Younis, the commander in chief of the Libyan armed forces, tells the Egyptian paper *Al Shaab* that 56 people were killed in fighting with U.S. forces in the Gulf of Sidra on March 24 and 25.

April 9—Libyan leader Colonel Muammar Qaddafi challenges the U.S. to provide proof that Libya was involved in the terrorist bombing of a West Berlin disco April 5.

April 15—American planes bomb Tripoli and Benghazi; military sites and "terrorist command centers" are targeted, but some civilian areas are inadvertently bombed; at least 15 people are killed and 60 are wounded.

April 17—Qaddafi makes his 1st public appearance since the U.S. raid, which killed his infant adopted daughter and wounded 2 of his sons.

April 30—The government expels more than 100 Britons, Spaniards and Italians in retaliation for the expulsion of Libyans from Britain, Spain and Italy.

### MEXICO

(See *U.S., Foreign Policy*)

### NEW ZEALAND

April 27—Prime Minister David Lange reports that France detonated an underground nuclear device today at its Mururoa test site.

### NICARAGUA

(See also *U.S., Administration, Foreign Policy*)

April 12—Joaquín Cuadra Chamorro, the president of the central bank, says that the U.S. is blocking approval of a \$58.4-million agricultural loan from the Inter-American Development Bank.

April 27—The government reports that the army has killed 1,000 guerrillas (contras) so far in 1986; 300 government casualties are reported.

### NORWAY

April 30—Prime Minister Kaare Willoch's government collapses after losing a vote of confidence, 79 to 78.

### PAKISTAN

(See also *Intl, UN*)

April 10—Benazir Bhutto, the daughter of executed Prime Minister Zulfikar Ali Bhutto, arrives in Pakistan; she is greeted by thousands at a demonstration in Lahore calling for the ouster of President Zia ul-Haq.

April 12—Bhutto demands that new elections be held.

### PHILIPPINES

(See also *U.S., Foreign Policy*)

April 13—Between 15,000 and 20,000 people march in Manila to ask for the return of former President Ferdinand Marcos.

April 15—Thousands of people march on the U.S. embassy in Manila in support of Marcos.

April 25—U.S. officials report that President Corazon Aquino has accepted an offer from President Reagan to visit the U.S. in the autumn of 1986.

April 27—Speaking from Hawaii via telephone, Marcos tells a crowd demonstrating for his return that they should continue to protest President Aquino's administration, but without violence.

April 30—Vice President Salvador Laurel says that the government is "beset" with economic problems and will need more aid than the \$150 million the U.S. has offered.

### SOUTH AFRICA

(See also *U.S., Foreign Policy*)

April 7—Blacks in Port Elizabeth begin a boycott of white-owned businesses; a similar boycott last year caused severe hardship for white businesses.

April 8—Chief Gatsha Buthelezi, the leader of the Zulus and a moderate opponent of the white government, criticizes President P. W. Botha for saying that recent reforms actually give blacks political rights.

April 14—Nobel Peace Prize winner Bishop Desmond Tutu is elected the 1st black Anglican archbishop of Cape Town.

April 18—President Botha announces that the government will no longer enforce the pass laws that control the movement of blacks.

April 23—Minister of Constitutional Development and Planning Ján Christiaan Heunis says that the government is abolishing most laws controlling the movement of blacks in South Africa; however, residential segregation will continue and freedom of travel within South Africa will not be extended to blacks in the so-called black homelands.

### SPAIN

April 3—Foreign Minister Francisco Fernández-Ordóñez says Spain will not give former Philippine President Ferdinand Marcos asylum; the U.S. has asked Spain to grant Marcos asylum.

April 21—The Socialist government announces that it is dissolving Parliament and will hold elections in June, 5 months earlier than required.

April 25—Five civil guards are killed when a car bomb explodes near a hospital in Madrid; authorities believe Basque separatist guerrillas are responsible.

### SUDAN

(See also *U.S., Foreign Policy*)

April 20—Results released today for parliamentary elections held April 1–April 12 show that the Umma party, led by Sadiq Mahdi, won 97 of 301 seats; the Democratic Unionist party won 64 seats and the far-right National Islamic Front won 28.

## SWEDEN (See U.S.S.R.)

## SWITZERLAND (See Haiti)

## THAILAND

(See also *Intl, Intl Terrorism*)

April 30—Prime Minister Prem Tinsulanonda dissolves Parliament and calls for a general election on July 27.

## U.S.S.R.

(See also *Intl, Arms Control, IMF, Western European Union; Afghanistan; China; Denmark; Germany, East; U.S., Administration, Foreign Policy*)

April 15—The government protests the U.S. bombing raid on Libya; a scheduled meeting between U.S. Secretary of State George Shultz and Foreign Minister Eduard Shevardnadze is canceled.

April 16—The official press agency Tass reports that General Secretary Mikhail Gorbachev has sent a message to Libyan leader Muammar Qaddafi promising to resupply Libya with new air defenses.

Svetlana Allinyeva, the daughter of Josef Stalin, returns to the U.S. after 18 months in the Soviet Union.

April 17—Foreign Ministry spokesman Vladimir Lomeiko denies U.S. charges that the Soviet Union could have restrained Libya and halted the April 5 bombing of the disco in West Berlin; he says the U.S. charges are "cynical lies."

April 28—The government formally acknowledges that a nuclear accident occurred on April 25 at the Chernobyl nuclear power plant in the Ukraine; Sweden, Finland and Norway earlier reported increased levels of radioactive fallout coming from the Soviet Union.

April 29—The official press agency Tass says that 2 people were killed in the accident at Chernobyl; it says only 1 of the plant's 4 nuclear reactors is affected. Western intelligence officials say that 1 of the reactors is burning and has released radioactivity into the atmosphere.

West German and Swedish officials report that the Soviet Union has asked their countries for help in fighting a graphite fire and a meltdown of the nuclear core at one of the Chernobyl plant's nuclear reactors.

April 30—The government says that radioactive emissions from the Chernobyl plant are decreasing and that the chain reaction of nuclear fuel elements has stopped.

The government rejects Western news reports that as many as 2,000 people were killed by the reactor's meltdown; it says 197 people have been hospitalized and 2 people died in the accident.

## UNITED KINGDOM

### Great Britain

(See also *Intl, Intl Terrorism, UN; Lebanon*)

April 18—Foreign Secretary Sir Geoffrey Howe says that the government has "firm evidence of direct Libyan involvement" in the kidnapping of 2 British teachers who were killed yesterday in Lebanon in reprisal for the U.S. bombing raid on Libya.

April 19—At least 10,000 people demonstrate in front of the U.S. embassy in London to protest the U.S. attack on Libya.

April 24—A bomb explodes near the British Airways office in London; no one is injured.

April 25—Government authorities announce that more than 200 Libyan students must leave Britain for security reasons.

April 27—Prime Minister Margaret Thatcher says the U.S.

must approve an extradition treaty that would allow Britain to extradite Irish Republican Army (IRA) guerrillas from the U.S.

### Northern Ireland

April 9—The Reverend Ian Paisley, an outspoken Protestant critic of the British-Irish agreement on Northern Ireland, condemns recent attacks on the Royal Ulster Constabulary by Protestant extremists protesting the agreement.

April 20—Ten police officers are wounded when about 1,000 Protestant youths rampage in the provincial Ulster town of Portadown.

## UNITED STATES

### Administration

April 1—The President's Commission on Organized Crime issues its final report, which finds that organized crime may cost every American \$77 this year and may show a \$75-billion profit.

White House officials report that Central Intelligence Agency Director William J. Casey has issued new regulations for estimating the yield of Soviet nuclear tests; the new method will probably reduce previous U.S. estimates of the test yields.

April 7—Ambassador to Mexico John Gavin announces his resignation, to take effect in May.

April 12—In a book published today, former director of the Office of Management and Budget David Stockman terms Reagan administration policies "the revolution that failed."

Director of the Immigration and Naturalization Service in Florida Perry A. Rivkind announces a new policy in his district; he will refuse to deport any Nicaraguan refugee.

April 19—President Reagan calls decontrol of oil prices "a success" and calls for an end to all "remaining energy prices" now under government control.

April 20—According to a Census Bureau study made public today, 13 percent of the adults living in the U.S. are illiterate in English.

April 24—According to White House sources, President Reagan has ordered a study of the feasibility of a new mobile multiple-warhead missile the size of the present Minuteman missile.

In its Uniform Crime Report, the Federal Bureau of Investigation says that reported crime in the U.S. rose 4 percent in 1985.

### Civil Rights

April 7—In a 96-page report, the U.S. Commission on Civil Rights calls for a 1-year suspension of federal programs requiring the government to set aside a specified percentage of money or work for businesses run by minority groups.

April 10—White House spokesman Larry Speakes says the administration supports "the minority set-aside program."

April 11—The U.S. Commission on Civil Rights directs its staff to review the report recommending the suspension of the "set-aside" program.

### Economy

April 4—The Labor Department reports that the nation's unemployment rate fell slightly in March, to 7.1 percent.

April 11—The Labor Department reports that its producer price index declined 1.1 percent in March.

April 17—The Commerce Department reports that the nation's gross national product (GNP) grew at an annual rate of 3.2 percent in the 1st quarter of 1986.

April 18—The Federal Reserve Board reduces its discount lending rate to 6.5 percent.

April 21—Most major banks lower their prime rate to 8.5 percent.

The New York Stock Exchange's Dow Jones industrial average of 30 blue-chip stocks closes at a new record high of 1,855.90.

April 22—The Labor Department reports that its consumer price index fell 0.4 percent in March.

April 29—The Commerce Department reports that its index of leading economic indicators rose 0.5 percent in March.

April 30—The Commerce Department reports that the U.S. foreign trade deficit was \$14.5 billion in March.

### Foreign Policy

(See also *Intl, EEC, Intl Terrorism, Iran-Iraq War, OPEC, UN; Brazil; Chile; France; Greece; Indonesia; Italy; Japan; Lebanon; Libya; Nicaragua; Philippines; Spain; U.S.S.R.; U.K., Great Britain; Vietnam*)

April 1—U.S. trade representative Clayton Yeutter says that the U.S. will reduce the duty-free access of developing countries like Taiwan, South Korea and Hong Kong; the action will take effect July 1.

April 3—After a 2-day visit to Haiti, Assistant Secretary of State for Inter-American Affairs Elliott Abrams says that the U.S. intends to increase both military and economic aid to Haiti.

April 4—The National Academy of Sciences and the Soviet Academy of Sciences announce the signing of an agreement providing for meetings and exchanges of scientists.

April 5—In Tokyo, Defense Secretary Caspar Weinberger asks for Japan's "great technical genius" to enhance the U.S. Strategic Defense Initiative (Star Wars).

April 6—Secretary Weinberger arrives in Manila for 2 days of negotiations.

April 8—The administration formally notifies Congress that it expects to sell China some \$550 million in hi-tech aviation equipment.

President Reagan meets in Washington, D.C., with Soviet Ambassador Anatoly Dobrynin to discuss a U.S.-Soviet summit meeting this year.

April 9—President Reagan says that the U.S. is prepared to strike militarily against Libya if evidence points to Libya as the instigator of the April 5 West Berlin discotheque bombing that killed 2 people and wounded 230 others, including 50 servicemen; he denounces Libyan leader Muammar Qaddafi as the "mad dog of the Middle East."

April 10—White House sources report that there is now "incontrovertible evidence" linking Libya to the April 5 explosion in a West Berlin discotheque.

April 12—President Reagan sends chief U.S. delegate to the United Nations Vernon Walters to Europe to consult American allies and to seek help for U.S. action against Libya.

April 14—In a nationally televised speech, President Reagan announces that U.S. forces have struck against Libya for its "reign of terror"; the President calls today's strike a direct retaliation for the April 5 bombing in West Berlin. Five targets near Tripoli and Benghazi have been attacked. U.S. F-111 planes based in Britain were forced to fly around Spain and Gibraltar, some 2,800 miles, because France refused them permission to overfly French territory. Another attack originated from U.S. carriers in the central Mediterranean. One F-111 has not returned.

Secretary of State George Shultz charges that Libyan agents have been deployed around the world to attack U.S. facilities; he says the U.S. has "quite substantial evidence" of Libyan intentions.

Japanese Prime Minister Yasuhiro Nakasone ends 2 days of talks with President Reagan; measures to decrease the Japanese trade surplus with the U.S. were discussed.

April 15—President Reagan calls the bombing raid on Libya "a single engagement in a long battle against terrorism."

A U.S. communications specialist at the U.S. embassy in Khartoum, Sudan, is shot and seriously wounded, possibly in retaliation for the American raid on Libya.

April 16—The White House reports that some 200 dependents of American embassy personnel in the Sudan are to be evacuated.

April 17—The Defense Department reports that 7 F-111's were unable to complete the attack on Libya.

Secretary Shultz says that he hopes the Libyan attack will encourage a coup against Qaddafi.

April 18—President Reagan says of the bombing raid: "We weren't out to kill anybody."

April 23—White House sources report that President Reagan will ask Congress for additional economic and military aid for the Philippines.

President Reagan says that if the U.S. has "irrefutable evidence" of Syrian or Iranian involvement in terrorism aimed at the U.S., the U.S. will retaliate.

April 24—The State Department calls South Africa's decision to allow blacks freedom of movement in South Africa "a major milestone on the road away from apartheid."

April 25—President Reagan leaves for an economic summit meeting in Tokyo. He will visit Hawaii, Guam, Indonesia, Japan and Alaska on his 13-day trip.

April 27—In Honolulu, President Reagan talks by telephone with deposed Philippine President Ferdinand Marcos and rebuffs the latter's claim to the Philippine presidency.

April 28—The State Department notifies Australia and New Zealand that it is scrapping the 35-year-old ANZUS (Australia, New Zealand, United States) treaty.

April 29—The State Department issues a license to the private U.S. Council for World Freedom to export a UH-1B Huey helicopter to the Nicaraguan contras for the evacuation of the wounded and sick.

### Legislation

April 8—Congress returns from its Easter recess.

April 10—The Senate Foreign Relations Committee votes 9 to 7 to reject the nomination of James Malone as ambassador to Belize; this is the 1st time in this century that an ambassadorial nominee has been rejected.

The Senate votes 72 to 24 to delay a vote on a tax-reform bill until the President and the Congress agree on a budget for fiscal 1987.

The House votes 292 to 130 to relax laws on the interstate sale of rifles and shotguns, but it retains restrictions on the sale of handguns; by a voice vote the House adds a provision banning the sale and possession of machine guns.

April 22—By a voice vote, the House reverses its vote of yesterday and retains the limit on outside income a member can earn: 30 percent of his annual salary.

April 29—The House votes 377 to 33 to retain the Head Start and other antipoverty programs through 1990; \$1.7 billion is authorized for these programs in fiscal 1987.

### Military

April 29—The Defense Department announces the dismissal of Assistant Undersecretary for Policy Planning Michael Pillsbury; the department alleges that Pillsbury provided secret information for a news article on covert intelligence programs.

### Political Scandal

April 2—The General Accounting Office announces that it is investigating the work of former presidential deputy chief of staff Michael Deaver; Deaver is a consultant for the Canadian government.

April 28—Deaver asks the Justice Department to appoint an independent counsel to investigate charges that he is guilty of illegal lobbying.



## Science and Space

April 3—Manager of the national shuttle program Arnold Aldrich tells a presidential commission that problems with the joints in the booster rockets of the *Challenger* were never brought to his attention; failure of the joints may have caused the explosion that destroyed the shuttle.

The Department of Agriculture discloses that it has granted a license to the Biologics Corporation, a Nebraska company, to produce and sell a genetically altered virus to treat swine herpes.

April 10—The Department of Energy reports the completion of a nuclear test (Mighty Oak); the test, the 2d in 1986, was postponed twice.

April 18—The Air Force reports that a Titan rocket carrying a secret military load exploded shortly after lift-off today.

April 22—After a 2-week ban, the Department of Agriculture permits the release of a genetically altered virus to treat swine herpes.

## Supreme Court

April 19—In a 6-3 vote, the Supreme Court refuses to allow the Mutual Broadcasting System to broadcast live the Court's oral arguments on the constitutionality of the Balanced Budget and Emergency Deficit Reduction Control Act of 1985 (Gramm-Rudman).

April 21—The Court rules 5 to 4 to overrule a lower court decision that in libel cases against the news media, "a public-figure plaintiff must show the falsity of the statements at issue in order to prevail in a suit for defamation."

April 30—In a 7-2 ruling, the Court partially overturns its 1965 ruling in *Swain v. Alabama*; the new ruling holds that prosecutors may not exclude blacks as jury members simply because they are black.

## VATICAN

April 13—In Rome, Pope John Paul II makes the 1st recorded papal visit to a Jewish synagogue.

## VIETNAM

April 10—The remains of 21 missing U.S. soldiers from the Vietnam War are turned over to U.S. authorities in Hanoi.

April 18—The government tells the U.S. that, because of the U.S. bombing raid on Libya, it is suspending talks on U.S. soldiers missing in action from the Vietnam War.

## MAY, 1986

### INTERNATIONAL

#### Arms Control

May 15—Soviet negotiators in Geneva offer the U.S. a new arms control proposal that would eliminate medium-range nuclear missiles in Europe.

#### Association of Southeast Asian Nations

(See *U.S., Foreign Policy*)

#### Conference on Security and Cooperation in Europe

May 27—The 35-nation conference ends its 6-week review of human rights; the U.S. blocks a final document on the "expansion of human contacts" between East and West Europe.

#### Contadora Group

(See also *Nicaragua*)

May 19—Officials in Panama City report that Nicaragua has rejected a provision in the draft Contadora peace plan for Central America that would limit the size of military forces in all Central American nations.

## European Economic Community (EEC)

May 12—Meeting in Brussels, the EEC members vote to ban the importation of meat, live animals and produce from East Europe because of radioactive fallout from the Chernobyl nuclear power plant accident in the Soviet Union.

## European Space Agency

May 30—A French-made Ariane rocket carrying a communications satellite fails after launch. The agency halts further launches. This failure leaves both the U.S. and West Europe without the ability to launch satellites by rocket.

## International Monetary Fund (IMF)

May 29—Poland is admitted as a member of the fund.

## International Terrorism

(See also *Tokyo Summit; Italy*)

May 20—The U.S. Central Intelligence Agency (CIA) reports that Italian authorities believe Syria helped train and supply the terrorists who carried out attacks on the Rome and Vienna airports in December, 1985.

## Iran-Iraq War

May 7—Iraqi jets bomb an oil refinery in Teheran; 5 people are reported killed.

May 13—A U.S. Navy destroyer turns back an Iranian patrol boat that tries to hail a U.S. merchant ship in the Persian Gulf.

May 14—Iranian Foreign Minister Ali Akbar Velayati says Iran "will not allow any foreign country, American or non-American, to intervene in the region."

## North Atlantic Treaty Organization (NATO)

May 22—NATO defense ministers unanimously approve a U.S. plan to resume production of binary chemical weapons in the U.S. for use by U.S. and NATO forces; chemical weapons were last produced in the U.S. in 1969.

May 29—NATO ministers meeting in Canada express alarm over President Reagan's announcement yesterday that the U.S. will no longer adhere to the provisions of the unratified 1979 strategic arms limitation treaty (SALT II).

## Tokyo Economic Summit

May 4—The leaders of the 7 industrialized democracies—the U.S., Japan, France, West Germany, Italy, Britain, Canada—begin a 3-day conference in Tokyo.

Five homemade rockets fired at the building housing the summit participants miss their target; a group called the Middle Core Faction takes responsibility.

May 5—At the urging of the U.S., the summit leaders adopt a statement condemning terrorism; the statement does not call for military action or economic sanctions, but it singles out Libya as a sponsor of terrorism.

The group also sets up a new international body, the Group of Seven, to oversee closer coordination of the 7 nations' economic policies.

May 7—The summit conference ends.

## United Nations (UN)

May 16—The U.S. casts the lone dissenting vote against a World Health Organization (WHO) resolution strengthening a voluntary code that restricts the sale of powdered substitutes for breast milk worldwide; the U.S. delegate says WHO should not regulate private industry.

May 23—The U.S. and Great Britain veto a Security Council resolution condemning South Africa's raids on 3 neighboring countries; the resolution would have imposed severe economic sanctions on South Africa.

In Geneva, the UN-sponsored talks between Afghani-

stan and Pakistan are suspended until July 30; no progress is reported.

May 27—A special General Assembly session on Africa's economic problems opens.

## AFGHANISTAN

(See also *Intl, UN; Pakistan*)

May 4—The Soviet Union's official press agency Tass reports that President Barbrak Karmal resigned today and was replaced by Najibullah, the former head of the Afghan secret police.

May 15—Najibullah says the party has formed a collective leadership that includes himself, Karmal and Prime Minister Sultan Ali Kishmand.

## ANGOLA

May 26—The government says that South African troops crossed the border last week and killed 53 Angolan troops in a raid; South Africa refuses to comment on the charge.

## ARGENTINA

May 16—The Defense Ministry announces that the Supreme Council of the Armed Forces has sentenced the 3 military junta members who started the Falkland Islands war with Britain; one of the men, General Leopoldo Galtieri, the former President of Argentina, is sentenced to 12 years in prison.

May 28—An Argentine warship sinks 1 of 3 Taiwanese boats that are fishing within a 150-mile "exclusion zone" around the Falkland Islands; 1 crewman is killed and 1 is missing.

## AUSTRIA

May 4—Kurt Waldheim, the conservative People's party candidate, wins 49.6 percent of the vote in today's presidential election; he will face Socialist Kurt Steyer in a runoff election next month.

## BANGLADESH

May 5—Opposition leader Begum Khaleda Zia, the wife of the late President Ziaur Rahman, is detained for opposing the upcoming parliamentary elections.

May 11—Final results from the May 7 parliamentary elections show that President H. M. Ershad's Jatiya party won 132 of 264 seats; the opposition Awami League won 70 seats; the opposition says at least 20 of its workers were killed during the elections and it charges the government with voter fraud and intimidation.

## BOTSWANA

(See *South Africa*)

## BRAZIL

May 28—Minister for Agrarian Reform and Development Nelson Ribeiro resigns.

## CANADA

(See also *U.S., Foreign Policy*)

May 12—Industry Minister Sinclair Stevens resigns because of conflict-of-interest charges.

May 23—Prime Minister Brian Mulroney criticizes the tariffs imposed on Canadian lumber products by U.S. President Ronald Reagan yesterday; Mulroney says the tariffs are "pure protectionism."

## CHINA

May 19—In Hong Kong, Chinese and Taiwanese representatives end their discussions on the return of a Taiwan cargo jet whose pilot defected to China on May 3; in the

1st direct talks between the 2 countries in 37 years, China agrees to return the pilot's plane.

May 23—The hijacked plane and 2 crew members are returned to Taiwan in a ceremony in Hong Kong.

## COLOMBIA

May 25—The Liberal party's Virgilio Barco Vargas is declared the winner of today's presidential elections; his 4-year term will begin in August.

## COSTA RICA

May 8—Oscar Arias Sánchez is sworn in as President.

## CUBA

May 18—President Fidel Castro announces that he is prohibiting farmers from selling their produce in free markets because the markets are a "source of enrichment for neocapitalists and neobourgeois."

## DOMINICAN REPUBLIC

May 26—A preliminary vote count for the presidential elections held on May 16 shows that former President Joaquín Balaguer has won.

## ECUADOR

(See *U.S., Foreign Policy*)

## EL SALVADOR

May 1—A march by between 15,000 and 25,000 workers in San Salvador to celebrate May Day turns into a protest against the economic policies of President José Napoleón Duarte.

## FRANCE

May 13—The government announces the formation of an interministerial committee to investigate the possible effects of radioactive fallout from the Chernobyl nuclear power plant accident after it is disclosed that radiation measurements in eastern France reached 400 times the normal level; for the last 2 weeks, French officials have denied that any radioactivity reached France.

May 17—The Interpol offices in Paris are attacked with gunfire and an explosive device by terrorists belonging to the group Direct Action; 1 police officer is injured.

## GERMANY, EAST

May 27—U.S., British and French diplomats defy an East German demand that they show their passports before entering or leaving East Berlin; the Western diplomats say a passport check would legitimize East Germany's claim that the East-West division of Berlin constitutes an international border.

## GERMANY, WEST

May 6—A Jordanian man arrested in connection with the bombing of a West Berlin discotheque last month has confessed to bombing the German-Arab Friendship Society building in March; he says he received training and aid for the attack from Syria.

May 30—The Bonn prosecutor's office says it is ending an investigation into charges of corruption against Chancellor Helmut Kohl because of insufficient evidence; a similar investigation by the Coblenz prosecutor ended on May 21.

**GREECE**(See *Syria*)**HONDURAS**(See *U.S., Foreign Policy*)**INDIA**(See also *U.S., Labor and Industry*)

May 12—Prime Minister Rajiv Gandhi appoints Agriculture Minister Buta Singh, a Sikh, to the home ministry, the country's top security post. Gandhi dismisses External Affairs Minister Bali Ram Bhagat and appoints Commerce Minister P. Shiv Shankar to that post.

May 22—Sikh extremists fire automatic weapons into a crowd at a shopping district in Amritsar, killing 11 people, including 3 Sikhs.

**INDONESIA**

May 14—Three crude rockets are fired at the U.S. and Japanese embassies in Jakarta, and a car bomb explodes outside the Canadian mission; the Anti-Imperialist International Brigades takes responsibility for the attacks.

**IRAN**(See *Intl, Iran-Iraq War*)**IRAQ**(See *Intl, Iran-Iraq War*)**ISRAEL**(See also *U.K., Great Britain*)

May 6—The government signs an agreement with the U.S. to participate in the U.S. Strategic Defense Initiative (SDI).

May 7—Defense Minister Yitzhak Rabin says Syria helped plan and carry out the attempt to plant a bomb on an Israeli airliner at London's Heathrow Airport last month.

May 9—Prime Minister Shimon Peres denies U.S. news reports that Israel is about to mount a military strike on Syria; he says Israel has no intention of invading Syria.

May 21—Special Envoy Ezer Weizman asks U.S. Secretary of State George Shultz to chair talks on easing tensions between Israel and Egypt; Weizman says Shultz has not agreed.

May 26—Israeli newspapers report that the attorney general has asked the police to examine evidence that the head of the Israeli secret police, Avraham Shalom, covered up the secret police's involvement in the beating deaths of 2 Palestinian hijackers in 1984.

**ITALY**

May 2—The government orders a 2-week ban on the sale of leafy vegetables because of possible radioactive contamination from the Chernobyl nuclear accident.

May 22—Interior Minister Oscar Luigi Scalfaro and other government officials say they have no concrete proof of direct Syrian involvement in the terrorist attack on Rome's airport in December, 1985.

**JAPAN**

May 26—Prime Minister Yasuhiro Nakasone's Liberal Democratic party agrees to hold parliamentary elections in July.

**JORDAN**

May 5—Syrian President Hafez Assad arrives in Amman for talks with King Hussein.

May 20—The entire leadership of the Communist party is arrested; the government says the party is responsible for student demonstrations earlier this month.

**KOREA, SOUTH**(See also *U.S., Foreign Policy*)

May 3—In Inchon, students in an anti-government demonstration of 10,000 people clash with police; 100 students are arrested and 30 policemen are injured.

**LEBANON**

May 22—Artillery shelling near Beirut by Christian and Muslim militiamen continues for a 2d day; 40 people have been killed and 110 have been wounded in the fighting.

May 23—A car bomb explodes in the Christian section of East Beirut; 11 people are killed and 84 are wounded. No group takes responsibility.

**LIBYA**(See also *Turkey; U.S., Foreign Policy, Military*)

May 12—The government orders the expulsion of 36 diplomats and staff members in 7 West European embassies to retaliate for the expulsion of Libyan diplomats from those 7 countries.

**MEXICO**(See also *U.S., Foreign Policy*)

May 15—The government delivers a diplomatic protest to U.S. Secretary of State George Shultz denying accusations made by U.S. officials on May 13 that the government is allowing illegal drug production to flourish in Mexico.

**THE NETHERLANDS**

May 21—Prime Minister Ruud Lubbers's Christian Democratic party wins today's parliamentary elections.

**NICARAGUA**(See also *Intl, Contadora Group; U.S., Administration*)

May 10—Six military commanders fighting with Edén Pastora, an anti-government guerrilla leader, join forces with U.S.-backed guerrillas (contras).

May 16—Pastora says he is ending his guerrilla campaign and is going into exile in Costa Rica; Pastora, who will not align himself with the U.S.-backed contra groups, says that his war against the Sandinistas "was shot down by the CIA."

May 27—President Daniel Ortega Saavedra says that Nicaragua is willing to negotiate "concrete agreements on arms control" as part of a final Contadora peace agreement.

May 29—Contra leaders meeting in Miami, Florida, announce a new civilian leadership; the contra leaders say they will continue their war even if Nicaragua signs the Contadora peace treaty.

**PAKISTAN**

May 17—An Afghan MiG-21 jet is shot down by Pakistani F-16's when it crosses into Pakistan and attacks guerrilla targets near Parachinar.

**PHILIPPINES**(See also *U.S., Foreign Policy*)

May 24—President Corazon Aquino tells a rally of soldiers that she is ready to "forgive and forget" the military's role in the assassination of her husband.

May 25—Aquino names 45 people to write a new constitution; 5 seats are left vacant for supporters of former President Ferdinand Marcos.

**POLAND**(See also *Intl, IMF*)

May 2—The U.S. State Department advises all U.S. children and women of childbearing age not to travel to Poland because of radioactive fallout from the Chernobyl nuclear

accident; the Canadian, Australian and British embassies in Poland have evacuated their diplomats' children.

May 31—The Interior Ministry announces that it has captured Zbigniew Bujak, a fugitive Solidarity leader.

### **SOUTH AFRICA**

(See also *Intl, UN; Angola; U.S., Foreign Policy, Labor and Industry*)

May 1—About 1.5 million blacks go on strike to demand an official May Day holiday; this is the largest strike ever held in South Africa.

May 19—South African army and air force commandos raid alleged African National Congress (ANC) sites in the capitals of Zambia, Botswana and Zimbabwe; 3 people, none of them ANC members, are killed in the raids.

May 22—Foreign Minister R. F. Botha is forced to cancel a National party rally when right-wing extremists invade the rally site.

May 24—It is reported that at least 36 blacks have been killed and 30,000 have been made homeless in a week of fighting between conservative and radical blacks in the squatter camp of Crossroads near Cape Town.

### **SRI LANKA**

May 3—Government officials say Tamil guerrillas are responsible for today's explosion on a Sri Lankan jet that killed 20 people and wounded at least 24.

May 5—The government reports that 15 people, not 20, were killed in the plane explosion.

May 7—A bomb explodes at the Central Telegraph Office in Colombo; 11 people are killed. According to news reports, the government suspects that Tamil separatist guerrillas planted the bomb.

May 31—A government spokesman says that Tamil guerrillas are responsible for today's bombing of a passenger train that killed 12 people and wounded 40.

### **SUDAN**

May 4—Nearly 2 weeks after the elections, the Umma party and the Democratic Unionist party agree to form a coalition government; Umma party head Sadiq Mahdi will be Prime Minister.

### **SYRIA**

(See also *Intl, Intl Terrorism; Germany, West; Greece; Israel; Italy; Jordan; U.K., Great Britain*)

May 8—The Syrian embassy in London denies any involvement in the attempted bombing of an Israeli plane last month at London's Heathrow Airport.

May 11—The government orders the expulsion of 3 British diplomats in retaliation for Britain's expulsion of 3 Syrians yesterday.

May 26—Syrian President Hafez Assad ends a 3-day trip to Greece, his 1st trip to the West in 8 years; Assad says Syria does not sponsor terrorism and is prepared to join with other nations to combat terrorism.

### **TAIWAN**

(See *Argentina; China*)

### **THAILAND**

May 27—Prime Minister Prem Tinsulanonda dismisses the army commander in chief, General Arthit Kamlang-ek.

### **TURKEY**

May 13—Two Libyans go on trial in a state security court for conspiring to blow up the U.S. Officers' Club in Ankara last month.

### **U.S.S.R.**

(See also *Intl, Arms Control, EEC; France; Italy; Poland; U.S., Foreign Policy*)

May 1—The government says the nuclear accident at the Chernobyl nuclear power plant is under control; Swedish and U.S. government officials report that the fire at the plant appears to be out.

May 6—Deputy Prime Minister Boris Shcherbina, the head of a committee investigating the Chernobyl accident, says that radioactivity was released for 36 hours before 40,000 people living near the plant were evacuated.

May 8—Ukrainian Premier Aleksander Lyashko tells reporters in Kiev that 84,000 people have been evacuated from the area around the reactor.

May 11—In New York, freed Soviet human-rights activist Anatoly Shcharansky speaks to a crowd of 300,000 protesting the Soviet Union's treatment of Jews.

The vice president of the Soviet Academy of Sciences says that "the situation at the Chernobyl atomic power station no longer poses a major threat."

May 12—The government reports that 6 people have died from "radiation and burns" from the Chernobyl accident; this is the 1st time anyone has died from radiation released by any civilian nuclear power plant.

May 14—Gorbachev makes his 1st public comment on the Chernobyl accident; he defends the government's denial of information about the accident to other countries, but he proposes a 4-point plan for more international cooperation during a nuclear power accident.

Gorbachev again extends the Soviet Union's unilateral moratorium on nuclear testing, this time until August 6.

The government says it expelled a U.S. diplomat on May 10 for spying.

May 20—The Soviet Union's chief delegate to the UN, Yuri Dubinin, is named ambassador to the U.S.

May 24—The U.S. embassy in Moscow advises pregnant American women and infants not to drink milk while visiting Moscow because of the high radioactivity levels in the milk.

May 26—An American physician treating Chernobyl victims says 23 people have died from the effects of the April 25 accident at Chernobyl.

May 31—The official press agency Tass says that the Soviet Union will also consider itself not bound by the unratified second strategic arms limitation treaty (SALT II) if the U.S. abrogates the treaty; U.S. President Ronald Reagan said on May 27 that the U.S. will no longer remain bound by the treaty's limitations.

### **UNITED KINGDOM**

#### **Great Britain**

(See also *Intl, UN*)

May 21—Education Minister Keith Joseph resigns; Prime Minister Margaret Thatcher appoints Kenneth Baker to take his place.

May 24—Thatcher arrives in Israel for a state visit; she is the 1st British Prime Minister to visit Israel.

### **UNITED STATES**

#### **Administration**

May 1—A federal jury in Tucson convicts 6 people, including a priest, of conspiring to smuggle illegal aliens into the U.S.; the 6 are members of the sanctuary movement, which aids Salvadoran and Guatemalan political refugees who are not recognized as political refugees by the U.S. government.

May 6—Justice Department officials say that they cannot substantiate charges that the Nicaraguan contras and some



private U.S. contra supporters are engaged in drug trafficking and gunrunning.

May 8—In Manhattan, a U.S. district court judge finds the National Conference of Catholic Bishops and the U.S. Catholic Conference in contempt of court; these organizations have refused to turn over subpoenaed documents in a lawsuit contesting the Church's tax-exempt status in light of its antiabortion activities. The organizations are to be fined \$50,000 daily starting May 12 until they turn over the documents.

May 12—President Ronald Reagan nominates H. Robert Heller to the board of governors of the Federal Reserve Board; he names Manuel Johnson vice chairman of the board.

May 13—The Environmental Protection Agency (EPA) approves a permit allowing the release into the environment of genetically engineered bacteria; the altered strain of the *Pseudomonas syringae* will be field-tested to see if it protects plants from frost damage.

May 21—President Reagan tells a group of high school students that he believes people who have insufficient food are hungry not because of budget cuts, but because they are uninformed about how or where to find food.

The CIA says it has not yet decided whether to prosecute the *Washington Post* for an article that appeared today that surveys secret information a former National Security Agency employee sold to the Soviet Union.

May 22—The EPA orders manufacturers of the insecticide difol to reduce the level of DDT found in the insecticide to 0.1 of 1 percent by 1988.

May 23—John McTague, acting science adviser to President Reagan, resigns to become executive director of research for the Ford Motor Company.

May 25—The organizers of Hands Across America estimate that some 5 million people joined hands for a 4,150-mile chain across the nation to publicize the plight of America's hungry and homeless.

May 28—The EPA refuses to give a permit to Chemical Waste Management Inc. to burn toxic wastes, including polychlorinated biphenyls (PCB's) on shipboard in the Atlantic Ocean.

Secretary of Transportation Elizabeth Dole notifies the governors of Arizona and Vermont that some of their federal highway funds will be withheld because of their failure to enforce speed laws adequately in 1984.

May 29—Director of the CIA William Casey and Director of the National Security Agency Lieutenant General William Odom ask journalists to use restraint in their reporting of sensitive intelligence information.

May 30—At the espionage trial of former National Security Agency (NSA) employee Ronald Pelton, NSA official William P. Crowell Jr. says that the data Pelton gave to the Soviet Union will "render ineffective" many of the sophisticated methods the U.S. uses to eavesdrop on Soviet communications.

### Civil Rights

May 22—Assistant Attorney General for Civil Rights William Bradford Reynolds says that the Supreme Court's May 19 decision invalidates portions of a 1965 executive order requiring government contractors to set numerical goals and quotas for the hiring of minorities. The Labor Department disputes Bradford's interpretation.

### Economy

May 2—The Labor Department reports that unemployment in April was 7.1 percent.

May 16—The Labor Department reports that its producer price index declined 0.6 percent in April.

May 20—The Commerce Department reports that the

nation's gross national product (GNP) grew at an annual rate of 3.7 percent in the 1st quarter of 1986.

May 21—The Labor Department reports that the consumer price index fell by 0.3 percent in April.

May 29—The New York Stock Exchange's Dow Jones industrial average of 30 blue-chip stocks closes at a new record high of 1,882.35.

The Commerce Department reports that its index of leading economic indicators rose 1.5 percent in April.

### Foreign Policy

(See also *Intl. Arms Control, Conference on Security, Intl. Terrorism, Iran-Iraq War, NATO, Tokyo Summit, UN; Canada; Israel; Mexico; Nicaragua; U.S.S.R.*)

May 1—President Reagan meets with Philippine Vice President Salvador Laurel in Denpasar, Indonesia; the President also meets with the 6 members of the Association of Southeast Asian Nations (ASEAN).

May 2—The President arrives in Japan for the summit meeting of the leaders of the 7 industrialized democracies.

May 3—President Reagan criticizes the Soviet Union for withholding information about the Chernobyl accident; he says the Soviet Union "manifests a disregard for the legitimate concerns of people everywhere" by withholding this information.

May 5—State Department officials say that special exemptions allowing U.S. oil companies to operate in Libya will expire on June 20.

May 7—In Seoul, South Korea, Secretary of State George Shultz praises the military government; he declines to meet with South Korea's two most important political dissidents and criticizes the opposition for inciting violence.

May 8—In Manila, Shultz says that budgetary constraints prevent a large U.S. aid program for the Philippines.

May 12—The State Department asks Mexico to "halt the production and trafficking of drugs in its territory"; the U.S. contends that Mexico has allowed increasing amounts of marijuana and heroin to enter the U.S. from Mexico.

May 13—President Reagan meets with released Soviet human-rights activist Anatoly Shcharansky in Washington, D.C.

Secretary Shultz says former Philippine President Ferdinand Marcos is "causing trouble" for Philippine President Corazon Aquino; "some of it goes beyond just argument."

In testimony before the Senate Foreign Relations Committee's Subcommittee on Western Hemisphere Affairs, U.S. Customs Service Director William von Raab accuses the governor of a Mexican state of growing marijuana and opium poppies.

May 14—Administration officials reject Soviet General Secretary Mikhail Gorbachev's offer to ban nuclear testing and to meet with President Reagan to sign a treaty banning testing.

EPA Administrator Lee Thomas and Canadian Minister of the Environment Tom McMillan sign a communiqué proposing large reductions in the toxic substances contaminating the Niagara River; "technical documentation of the pollution control measures needed to reduce direct [toxic chemical] discharges" will be released in July, 1987.

The Treasury Department announces that the U.S. is providing a \$150-million bridge loan to Ecuador; the money will be repayed once Ecuador negotiates a loan from the International Monetary Fund.

May 19—Secretary of Defense Caspar Weinberger arrives in Vienna for talks with Austrian officials.

May 20—Ambassador to the Vatican William A. Wilson resigns.

The White House says that the President is withdrawing

his request to include 800 mobile anti-aircraft missiles (Stingers) in the proposed \$354-million arms sale to Saudi Arabia.

May 23—The State Department announces that the senior South African military attaché in the U.S. is being expelled to protest South African attacks on the capitals of Zimbabwe, Zambia and Botswana on May 19.

May 25—Attorney General Edwin Meese criticizes the statements on Mexico made by the head of the Customs Service and other high-level administration officials on May 13; he says the charges of high-level corruption in the Mexican government are "reckless."

May 27—President Reagan announces that he no longer considers the U.S. bound by the terms of the 1979 strategic limitation arms treaty (SALT II); he says that the U.S. will undoubtedly exceed treaty limitations by the end of this year.

It is also reported that President Reagan will withdraw an old Poseidon submarine from service when a new Trident submarine goes into service on May 28.

The State Department says that the Soviet Union will allow 117 Soviet citizens to emigrate to the U.S. to reunite 36 families.

President Reagan meets with Honduran President José Azcona Hoyo at the White House.

May 30—Secretary Shultz says that U.S. policy, in a "shift of gears," will be determined by its nuclear weapons needs for security purposes and will no longer be determined by "the technicalities" of SALT II.

### Labor and Industry

May 12—In New York, U.S. district court Judge John Keenan conditionally dismisses suits filed in U.S. courts for damages arising from the December, 1984, gas leak at the Union Carbide Corporation's pesticide plant in Bhopal, India; Keenan says the suits must be heard in India.

May 16—In Cleveland, president of the International Brotherhood of Teamsters Jackie Presser is indicted by a grand jury on embezzlement and racketeering charges.

Federal Bureau of Investigation (FBI) agent Robert Friedrick is charged with lying to Justice Department investigators about his relations with Presser.

May 21—Presser is reelected Teamsters president.

May 23—General Motors Corporation announces that it will no longer sell cars and trucks to South Africa's police and military.

May 30—Wells Fargo and Company acquires Crocker National Corporation in the largest acquisition in banking history.

### Legislation

May 2—The Senate votes 70 to 25 to approve a \$1-trillion fiscal 1987 budget; the budget proposal envisages revenue of \$857 billion and spending of \$1 trillion, leaving a deficit of \$144 billion. The military budget is cut by \$19 billion to \$301 billion.

President Reagan signs a bill increasing the Federal Housing Administration's (FHA) loan credit limit by \$17 billion to \$74 billion.

May 6—The Senate votes 89 to 9 to confirm James Fletcher as head of the National Aeronautics and Space Administration (NASA).

By voice vote, the Senate approves and sends to the President a bill passed by the House on April 10 that weakens the 1968 Gun Control Act.

May 7—The House joins with the Senate to adopt a resolution prohibiting a proposed \$354-million arms sale to Saudi Arabia; yesterday the Senate voted 73 to 22 to reject the sale; the House vote today is 356 to 62.

May 8—The House votes 242 to 132 to approve a \$1.7-

billion spending bill that has been delayed because of an amendment providing aid to the Nicaraguan contras; the amendment is voted down.

May 14—The Senate unanimously approves legislation limiting the funds available for free mailing by Senators for the rest of the 1986 fiscal year.

May 15—The House votes 245 to 179 for a fiscal 1987 budget plan that cuts military expenditures \$16 billion more than the plan passed by the Senate; the legislation goes to House-Senate conference committee.

May 19—President Reagan signs the law relaxing the curbs of the 1968 Gun Control Act; the law retains handgun controls and the House-imposed restrictions on machine guns.

May 21—The President vetoes a congressional resolution to block his arms sale package to Saudi Arabia; the Senate adjourns before it can vote to override the veto.

The Senate votes 94 to 0 to approve legislation that extends by 5 years the 1974 Safe Drinking Water Act; the bill, passed last week by the House, goes to the President.

### Military

May 8—The Defense Department confirms reports that some U.S. bombs were inadvertently dropped on civilian areas when U.S. war planes bombed Tripoli and Benghazi in Libya on April 15.

May 28—President Reagan selects Admiral Carlisle Trost as new Chief of Naval Operations, succeeding Admiral James Watkins.

May 29—President Reagan nominates Lieutenant General Larry D. Welch as Air Force chief of staff.

### Political Scandal

May 12—The General Accounting Office reports that former White House deputy chief of staff Michael Deaver "appears" to have violated conflict-of-interest laws by lobbying for the Canadian government within months after leaving his White House post.

May 29—A 3-judge court announces that it is appointing Whitney North Seymour Jr. as special counsel under the Ethics in Government Act to investigate conflict-of-interest charges against Deaver.

May 30—Vice Chairman of the U.S. Postal Service Peter Voss pleads guilty to the charge of accepting a payoff for helping a Dallas company to obtain a \$250-million Postal Service contract; he also pleads guilty to embezzling service money.

### Science and Space

May 9—NASA acknowledges that a sounding rocket misfired last month after launch; the agency says it did not report the failure, the 5th NASA rocket failure in the last year, because the rocket was insignificant.

May 10—The commission investigating the explosion of the space shuttle *Challenger* releases a document showing that 6 months before the explosion NASA knew that the shuttle's booster rockets might fail in temperatures of 50° F. or lower; the temperature was 36° F. on the day of the launch.

May 12—James Fletcher is sworn in as NASA's new administrator.

### Supreme Court

May 5—The Court rules 6 to 3 that in capital cases judges can exclude "for cause" people who strongly oppose the death penalty.

May 19—The Court rules 5 to 4 to reverse Michigan court decisions; it holds unconstitutional a Michigan school board's plan to grant preferential layoffs to members of minority groups.

The Court rules 5 to 4 that aerial surveillance of fenced areas for suspected violations of the law is legal without a search warrant.

#### VATICAN

May 30—Pope John Paul II issues his 5th encyclical, "The Lord and Giver of Life."

#### YUGOSLAVIA

May 14—Adrija Artukovic is convicted by a Yugoslav court of being a Nazi war criminal; he is sentenced to death by firing squad. Artukovic was extradited from the U.S. in February.

#### ZAMBIA

(See *South Africa*)

#### ZIMBABWE

(See *South Africa*)

### JUNE, 1986

#### INTERNATIONAL

##### Arms Control

June 26—Strategic arms control talks between the U.S. and the Soviet Union recess in Geneva until September 18.

##### North Atlantic Treaty Organization (NATO)

(See *Warsaw Pact*)

##### United Nations (UN)

(See also *U.S., Foreign Policy*)

June 1—The General Assembly unanimously agrees to support a 5-year, \$128-billion program to revive the economies of most African nations.

June 18—The U.S. and Great Britain veto a Security Council resolution that would have included limited economic sanctions against South Africa.

June 27—The International Court of Justice (World Court) rules that the U.S. has violated international law by arming anti-Nicaraguan guerrillas (contras); the court orders the U.S. to halt "arming and training" the contras.

##### Warsaw Pact

June 11—Pact ministers end a 2-day conference with a proposal to NATO that each side remove 150,000 soldiers from Europe within 1 year.

#### AFGHANISTAN

(See *U.S., Foreign Policy*)

#### ANGOLA

June 5—The government accuses South African forces of sinking a cargo ship and destroying 2 fuel dumps in the southwestern port of Namibe.

#### AUSTRIA

June 8—In a runoff election, Kurt Waldheim is elected President of Austria with 53.9 percent of the vote; Kurt Steyrer, the Socialist party candidate, receives 46.1 percent.

June 9—Chancellor Fred Sinowatz announces his resignation; he also resigns as head of the Socialist party. Franz Vranitzky succeeds him as Chancellor.

June 10—Foreign Minister Leopold Gratz and Agriculture Minister Guenter Haiden resign from Vranitzky's Cabinet.

June 16—Peter Jankowitsch is named foreign minister.

#### CANADA

June 2—The government imposes tariffs on a variety of U.S. goods in retaliation for U.S. tariffs on Canadian lumber products imposed last month.

#### CHINA

June 16—Chinese Communist party General Secretary Hu Yaobang arrives in Paris for talks with President François Mitterrand.

June 17—Prime Minister Jacques Chirac meets with Hu; he says France supports China's plan to create a 4-party government in Kampuchea in order to end Vietnam's occupation of Kampuchea.

June 19—In Paris, Hu says that ties with the Soviet Union are improving and that trade between the 2 countries may exceed \$14 billion by 1990.

#### DOMINICAN REPUBLIC

June 24—President Jorge Blanco dismisses the commanding general of the military police after troops killed 5 people yesterday who were protesting the outcome of last month's general elections.

#### ECUADOR

June 2—A referendum favored by the government is voted down today; 58 percent voted against the referendum to allow independent politicians to run for office without political party affiliation.

#### FRANCE

(See *China; Lebanon*)

#### GERMANY, EAST

June 16—The government begins issuing identification cards to Western diplomats when they travel to East Berlin; passport checks have been discontinued.

#### GERMANY, WEST

June 10—Parliament asks the U.S. Congress to help win the release of 8 West German citizens being held by the U.S.-backed Nicaraguan contras.

#### HAITI

June 5—Justice Minister François Latortue says that presidential elections will be held in 18 months; political protests continue for a 3d day throughout Haiti.

June 10—Schools and most businesses close as part of a 1-day strike to protest government policies.

#### HONDURAS

(See *U.S., Foreign Policy*)

#### INDIA

June 7—Nine people are killed by Sikh gunmen at the end of a week-long Sikh protest to mark the 2d anniversary of the government's takeover of the Sikh Golden Temple.

June 25—Prime Minister Rajiv Gandhi announces that the Mizo National Front has agreed to end its 20-year war with the government; the head of the front, Laldenga, will become chief minister of the territory of Mizoram in north-east India.

#### IRELAND

June 27—Results from yesterday's referendum on divorce show that the proposal to allow divorce was roundly defeated by 63 percent of the voters.

#### ISRAEL

(See also *Spain; U.S., Foreign Policy*)

June 1—The Cabinet replaces Attorney General Yitzhak Zamir with Yosef Harish because Zamir attempted to investigate charges that in 1984 the head of the secret police ordered 2 Palestinian prisoners killed.

June 8—Prime Minister Shimon Peres attacks unidentified

individuals who he says are using the U.S. inquiry into Israeli spying in the U.S. to "foul the atmosphere" of good relations between the U.S. and Israel.

June 25—The head of the Shin Beth, Avraham Shalom, resigns after Peres grants him immunity from prosecution in the killing of the 2 Palestinians.

June 30—Peres asks for a special investigation into the alleged coverup by government officials of the 1984 killing of the 2 Palestinian prisoners.

### ITALY

June 17—The trial of 17 men accused of hijacking the cruise ship *Achille Lauro* earlier this year begins in Genoa.

June 24—Interior Minister Oscar Luigi Scalfaro says he has "concrete evidence" of Syrian government involvement in international terrorism; Scalfaro does not disclose the evidence.

June 27—Prime Minister Bettino Craxi resigns after his party loses a vote on a finance bill.

### JAPAN

June 2—Prime Minister Yasuhiro Nakasone dissolves Parliament; elections will be held July 6.

June 10—The government announces that Japan's May trade surplus was a record \$7.53 billion.

June 24—The Economic Planning Agency reports that Japan suffered its 1st decline in economic growth in 11 years during the 1st quarter of 1986; it says the gross national product fell 0.5 percent in that period.

### KOREA, SOUTH

June 24—Parliament approves the creation of a committee that will draft legislation for a new electoral system before President Chun Doo Hwan leaves office in 1988.

### LEBANON

June 20—Two French journalists are released by their Shiite Muslim kidnappers; the men were abducted in March.

### LIBERIA

June 6—President Samuel Doe announces that as "an act of mercy" he is pardoning 34 political opponents accused of trying to overthrow his government.

### MEXICO

June 17—Finance Minister Jesús Silva Herzog resigns; President Miguel de la Madrid Hurtado appoints Gustavo Petricioli to Herzog's post.

June 22—President de la Madrid says that accusations by U.S. government officials that members of his government are involved in high-level corruption and drug trafficking are slander and lies.

### NEW ZEALAND

(See *U.S., Foreign Policy*)

### NICARAGUA

(See also *Intl, UN; Germany, West; U.S., Foreign Policy, Legislation*)

June 6—The government releases 308 political prisoners pardoned on June 2.

June 10—Anti-government guerrillas (contras) release 8 West German civilians after holding them for 25 days.

June 19—The government returns to the Church a building owned by a Roman Catholic social agency; the government occupied the building for 8 months.

June 27—The government announces that it has ordered *La Prensa*, the country's only major opposition newspaper, to close because it supports U.S. "aggression" against Nicaragua.

### NIGERIA

June 27—The head of the military government, Major General Ibrahim Babangida, bans all former civilian politicians from holding office for 10 years; he also announces a series of economic reforms.

### NORWAY

June 2—Statoil, a state-owned energy company, announces an agreement to supply natural gas to 6 West European nations; this will reduce West Europe's reliance on the Soviet Union for natural gas.

### PANAMA

(See also *U.S., Foreign Policy*)

June 18—Security forces detain a Danish ship carrying 200 tons of Soviet-made military equipment.

### PARAGUAY

June 24—Opposition leader Domingo Laino and former U.S. ambassador Robert White are beaten by security agents when Laino attempts to reenter the country; the military government has banned Laino's return.

### PERU

June 19—Government officials report that as many as 400 leftist guerrillas were killed at 2 prisons in Lima when troops tried to retake the prisons after an uprising that began last night; 3 soldiers are reported killed.

June 27—President Alan García accuses the paramilitary Republican Guards of killing at least 100 prisoners after they surrendered; he says he will punish the guards responsible for the executions.

### PHILIPPINES

(See also *U.S., Foreign Policy*)

June 5—Vice President Salvador Laurel says that general elections will be held in November for a "truly constitutional democracy."

June 8—Police battle with about 3,000 supporters of deposed President Ferdinand Marcos after a pro-Marcos demonstration turns violent in Manila.

### POLAND

June 1—Thousands of people demonstrate in Gdansk and Krakow to protest yesterday's arrest of fugitive Solidarity leader Zbigniew Bujak.

June 29—General Wojciech Jaruzelski, the head of state, opens the Polish Communist party congress in Warsaw; he offers a selective amnesty for political prisoners.

June 30—Speaking at the party congress, Soviet General Secretary Mikhail Gorbachev says that the U.S. is obstructing proposals to limit nuclear weapons. He declares that socialism is "an international reality" and that to "wrench a country away from the socialist community means to encroach . . . on the entire postwar arrangement."

### ROMANIA

(See also *U.S., Foreign Policy*)

June 25—At the end of a 2-day conference, the Communist party's Central Committee releases a new 5-year economic plan that calls for a 40 to 45 percent increase in industrial production.

### SAUDI ARABIA

(See *U.S., Foreign Policy, Legislation*)

### SOUTH AFRICA

(See also *Intl, UN; Angola; UK, Great Britain; U.S., Foreign Policy, Legislation*)

June 6—In London, the 7 members of the Commonwealth group trying to mediate between the South African government and the black opposition announce that they are ending their mediation effort.



June 12—The government issues an emergency decree that gives security forces broad authority to detain people without charge; it also forbids the reporting by domestic and foreign journalists of disturbances in black townships except when they are reported through an official "information" bureau.

June 13—Nobel Peace Prize winner Bishop Desmond Tutu meets with President P. W. Botha; Tutu criticizes the emergency decree.

June 15—Bank of America, the 2d largest U.S. bank, announces that it will not lend money to borrowers in South Africa until apartheid is ended as an official policy.

June 17—Eleven blacks are reported killed during a 1-day strike to commemorate the 10th anniversary of the Soweto uprising.

June 19—The government orders curfews in 13 areas in the Eastern Cape; new prohibitions under the emergency decree are also announced.

June 28—The government's Bureau for Information, the sole source of news about racial disturbances in South Africa, reports that a bomb planted by black guerrillas exploded today at a white shopping mall in Queenstown; 2 whites are injured.

The information bureau reports that security forces detained Zwelakhe Sisulu, a prominent black journalist, on June 26.

June 30—The Congress of South African Trade Unions says it will strike if its president, Elijah Barayi, remains in detention. More than 900 unionists have been detained since June 12.

The government's information agency says 8 blacks have been killed in the last 2 days; 96 people have died since the emergency decree of June 12.

## SPAIN

June 23—Results from yesterday's elections give a majority of 184 seats in Parliament to Prime Minister Felipe González's Socialist party.

June 26—A bomb explodes at Israel's El Al airline ticket counter in Madrid; 12 people are wounded. No group takes responsibility.

## SRI LANKA

June 11—Security forces suspect that Tamil guerrillas are responsible for planting 2 land mines that exploded today, killing 43 people.

June 13—At least 47 Tamil civilians are killed by government troops in 2 incidents; the government claims that the dead were guerrillas.

## SYRIA

(See *Italy*)

## TAIWAN

June 18—President Chiang Ching-kuo names his half-brother, General Wengo Chiang, secretary general of the National Security Council, which includes the Cabinet and military leaders.

## THAILAND

June 23—Protesters burn down a \$45-million chemical plant on Phuket Island; the protesters say the plant's products would create environmental hazards.

## U.S.S.R.

(See also *Intl, Arms Control; China; Norway; Poland; U.S., Administration, Foreign Policy*)

June 2—President Andrei Gromyko says the U.S. decision to cease compliance with the 2d strategic arms limitation treaty (SALT 2) is a "major blunder."

June 5—A Soviet official reports that 26 people have died from radiation and burns caused by the April accident at the Chernobyl nuclear power plant.

June 15—The Communist party newspaper *Pravda* reports that the director and the chief engineer of the Chernobyl nuclear power plant have been removed because they mishandled emergency efforts during the nuclear accident at the plant.

June 19—The Supreme Soviet ends its summer session; delegates approve a new economic development plan that calls for the modernization of factories and an increase in worker productivity.

Fyodor Fedorenko, a Nazi collaborator during World War II, is sentenced to death for war crimes; he was deported from the U.S. earlier this year.

June 23—Yuri Dubinin, the new ambassador to the U.S., meets with U.S. President Ronald Reagan for the 1st time; he presents a letter from General Secretary Mikhail Gorbachev.

## UNITED KINGDOM

### Great Britain

(See also *Intl, UN*)

June 12—The government dissolves Northern Ireland's Assembly; it says the 4-year-old local parliamentary body failed to ease tensions between Catholics and Protestants.

June 24—Oliver Tambo, the head of the African National Congress in South Africa, meets with British government officials in London.

## UNITED STATES

### Administration

June 3—In a message to Congress, President Ronald Reagan asks Congress to support his military programs and says that budget cuts would be "the worst way to respond to the continuing pattern of Soviet activities."

President Reagan names William R. Graham as his chief science adviser.

June 4—Jonathan Jay Pollard and his wife Anne H. Pollard plead guilty to charges that they passed classified material to Israeli agents; the Justice Department names 4 unidentified Israelis as co-conspirators.

June 5—In U.S. district court in Baltimore, former National Security Agency employee Ronald Pelton is found guilty on 4 counts of selling highly sensitive material to the Soviet Union.

June 6—The State Department calls for "full cooperation" by Israel in the investigation of Jonathan and Anne Pollard; Federal Bureau of Investigation (FBI) director William Webster says that Israel has supplied only "selective cooperation."

June 10—The FBI and the Drug Enforcement Administration announce that they began testing their new employees for drug abuse in June.

June 12—The Department of Health and Human Services reports that by 1991 it expects a cumulative total of 270,000 AIDS (acquired immune deficiency syndrome) cases; it predicts that 179,000 of these cases will be fatal.

June 13—The Occupational Safety and Health Administration issues new regulations reducing the amount of asbestos permissible in the workplace by 90 percent. The new rules take effect 30 days after publication in the *Federal Register*, which is expected in 1 week.

June 16—The Justice Department reports that the U.S. prison population rose to 503,607 in 1985.

June 18—President Reagan signs a comprehensive measure, to go into effect immediately, that provides guidelines for

regulating the nation's biotechnology industry; many administrative agencies are involved.

June 19—Former FBI agent Richard Miller is convicted in U.S. district court on 6 counts of espionage for the Soviet Union.

June 20—Doctors remove 2 minute polyps from President Reagan's colon.

June 21—Doctors report that the polyps removed from the President's colon are benign.

June 24—Random House publishing officials report that they have been warned by Central Intelligence Agency (CIA) Director William Casey that their publication of a book by Seymour Hersh on the downing of the Korean Air Lines plane by the Soviet Union in 1983 may violate U.S. laws and that it is Casey's "job to uphold the law."

### Civil Rights

June 22—The Justice Department states that U.S. civil rights laws will not necessarily be violated if employers dismiss AIDS victims because they fear the spread of the disease.

### Economy

June 6—The Labor Department reports that the nation's unemployment rate rose to 7.2 percent in May.

June 13—The Labor Department reports that its producer price index rose 0.6 percent in May.

June 18—The Commerce Department reports that the nation's gross national product (GNP) grew at a yearly rate of 2.9 percent in the 1st quarter of 1986.

The Commerce Department reports that the U.S. foreign trade deficit for the 1st quarter of 1986 was \$33.67 billion.

June 20—The Labor Department reports that its consumer price index rose 0.2 percent in May.

June 27—The Commerce Department reports that the U.S. foreign trade deficit in May was \$14.2 billion.

June 30—The New York Stock Exchange's Dow Jones Industrial Average of 30 blue chip stocks closes at a record high of 1,892.72.

### Foreign Policy

(See also *Intl. Arms Control, UN; Canada; Germany, West; Israel; Mexico; Nicaragua; U.S.S.R.; Vietnam*)

June 1—Secretary of Defense Caspar Weinberger claims that the Soviet Union has violated the terms of the second strategic arms limitation treaty (SALT 2) many times.

In an interview, Secretary of State George Shultz says that the Soviet Union has already "broken out" of the SALT 2 treaty.

June 2—Speaking of South Africa, Secretary Shultz asserts that "apartheid is wrong."

The State Department reports that in order to continue to receive most-favored-nation treatment from the U.S., Romania will allow some 1,000 individuals to emigrate.

June 3—President Reagan signs the measure giving most-favored-nation status to Romania.

June 4—Secretary Shultz urges U.S. business and financial circles to help support the "comprehensive reforms" of the new Philippine government of President Corazon Aquino.

June 9—President Reagan and Defense Secretary Weinberger warn of increased Soviet support for the Nicaraguan government and declare that the Nicaraguan contras need immediate U.S. aid.

June 11—At a televised news conference, President Reagan continues to charge the Soviet Union with breaches of SALT 2.

The President says he "must have goofed" in a speech 2 days ago in which he linked Soviet General Secretary Mikhail Gorbachev with Cuba's Fidel Castro, Libya's

Muammar Qaddafi and the Palestine Liberation Organization's Yasir Arafat.

The General Accounting Office reports widespread misuse of and improper accounting for the \$27-million humanitarian aid package for the Nicaraguan contras; \$986,689 went to the "armed forces of a country in the region of Central America" (presumed to be Honduras) and \$450,000 went to the commander in chief of its forces; less than half of the \$27 million has been accounted for.

June 12—*The New York Times* reports that in 1972, a branch of the Justice Department proposed "the total and complete immobilization" of Panama's strongman, General Manuel Antonio Noriega, because of his extensive involvement in illicit drug trafficking and money laundering; the director of the Bureau of Narcotics and Dangerous Drugs, John Ingersoll, rejected the proposal.

White House spokesman Larry Speakes says that SALT 2 "no longer exists" and that future U.S. arms reduction decisions will depend on "Soviet behavior" in key areas; President Reagan later tells reporters that Speakes's statement is correct.

June 13—President Reagan calls on all parties in South Africa "to exercise maximum restraint in searching for solutions to South Africa's severe political crisis" in order to avoid "outright civil war."

June 16—The White House reports that President Reagan sent a personal appeal to South Africa's President P. W. Botha on June 13 asking him to end the state of emergency.

President Reagan meets with Afghan rebel leaders at the White House and gives them an "unshakeable commitment" of support while refusing them diplomatic recognition.

June 17—President Reagan meets with Uruguayan President Julio Sanguinetti in Washington, D.C.

June 18—President Reagan certifies to Congress that Saudi Arabia is eligible to receive 5 AWACS (airborne warning and control system) planes as part of a 1981 \$8.5-billion arms package.

June 19—Addressing the graduating class of Glassboro (New Jersey) High School, President Reagan says that "in recent weeks there have been fresh developments" in arms reduction proposals by the Soviet Union; he believes that the Soviet Union is now making "a serious effort" toward arms control.

June 20—Secretary Shultz says the U.S. will use "pressure and persuasion" in order to induce South Africa to open significant talks with black South Africans.

June 21—According to White House, State Department and CIA senior officials, there is strong evidence that Panamanian strongman General Manuel Antonio Noriega rigged the 1984 presidential election in Panama so that his candidate won.

June 24—In Manila on his 5-nation Asian trip, Secretary Shultz signs an agreement to give the Philippines \$200 million in aid at once; the money has been authorized by Congress.

June 27—The State Department says that the U.S. rejects the World Court verdict that the U.S. violated Nicaragua's sovereignty and international law; the U.S. claims that the court is "not equipped" to judge the complicated military issues in the case.

Secretary Shultz tells New Zealand Prime Minister David Lange that the U.S. no longer considers itself bound to come to New Zealand's defense under the ANZUS (Australia, New Zealand, U.S.) treaty because of New Zealand's policy toward U.S. nuclear-powered or -armed warships.

June 28—White House officials report that in a June 23 letter to President Reagan, Soviet General Secretary Gor-

bachev offered to compromise on the medium-range missile issue.

June 29—Administration officials report that the Soviet Union has proposed a meeting of negotiators from the U.S. and the Soviet Union in Geneva to discuss President Reagan's decision not to be bound by the terms of SALT 2.

June 30—The U.S. embassy in Honduras reports that Ambassador to Honduras John A. Ferch will be replaced this summer.

## Labor and Industry

(See also *South Africa*.)

June 1—Some 155,000 Communications Workers of America go on strike against the American Telephone and Telegraph Company.

June 5—In U.S. district court, former investment banker Dennis B. Levine pleads guilty to 4 counts of using insider information to make a profit of \$12.6 million.

In U.S. district court, 4 of 5 defendants plead guilty to stock market insider trading; lawyer Michael David pleads not guilty.

June 26—The striking Communications Workers of America and the American Telephone and Telegraph Company agree on a tentative contract; the workers return to work while the contract is being ratified.

## Legislation

June 5—The Senate fails to override a presidential veto of a bill banning the sale of \$350 million in advanced military equipment to Saudi Arabia. The vote is 66 to 34, 1 vote short of the necessary two-thirds to override a presidential veto.

The Senate Judiciary Committee votes 10 to 8 to reject Jefferson Sessions, President Reagan's nominee as a U.S. district court judge; it refuses to send the nomination to the full Senate.

June 6—President Reagan signs legislation that provides for a new 3-tier plan of retirement benefits for all federal civilian employees, including members of Congress.

June 19—The House votes 256 to 145 for a nonbinding resolution urging President Reagan to abide by the terms of SALT 2.

June 23—House Speaker Thomas P. (Tip) O'Neill Jr. (D., Mass.) refuses to allow President Reagan to address the House to urge support for the \$100-million aid package for the Nicaraguan contras; O'Neill says that "having the President appear before only one House to lobby for a legislative proposal would be unprecedented."

June 24—In an address from the White House, President Reagan warns Congress of "the reality of a Soviet military beachhead in Nicaragua" and asks House members to vote for the \$100-million aid package for the contras.

The Senate votes 97 to 3 for a sweeping tax reform bill; the bill goes to a House-Senate conference.

The House votes 355 to 52 for a \$1.7-billion supplemental appropriations bill to maintain federal activities through the end of fiscal 1986; the bill goes to the Senate.

June 25—The House votes 221 to 209 to pass President Reagan's \$100-million aid package for the Nicaraguan contras.

June 26—The House votes 333 to 43 to approve a compromise budget resolution for fiscal 1987 with total spending of \$995 billion and a deficit of \$142.6 billion; the resolution sets up procedures under which the military budget can be increased if new revenues or spending cuts are instituted.

The Senate passes the fiscal 1987 budget resolution in a voice vote.

The Senate votes 48 to 46 to approve Daniel Manion as a judge in the U.S. appeals court in Chicago; a parlia-

mentary maneuver makes another vote necessary for his confirmation.

With a voice vote, the House approves the new military pension bill.

The Senate completes congressional action on a \$1.7-billion supplemental spending bill to finance the government until the end of fiscal 1986.

## Military

June 11—Army Secretary John Marsh issues orders to make "nonsmoking the norm" in military facilities, vehicles and aircraft.

## Science and Space

June 4—Chief of the Marshall Space Flight Center William R. Lucas resigns; Lucas is the highest-ranking official to leave NASA since the space shuttle disaster on January 28.

June 9—The President's 13-member commission investigating the *Challenger* space shuttle disaster issues a 256-page report that details management problems in NASA and in the rocket manufacturing firm; it cites a lack of internal communication between engineers and decision-makers; and it pinpoints a failure in a booster rocket joint as the actual cause of the explosion.

June 11—At a news conference, President Reagan says "I think we should go forward with another shuttle" and blames "carelessness that grew out of success" for the *Challenger* disaster.

June 13—NASA releases a videotape shown to top agency officials on February 21, 1985, which details the history of booster rocket problems with the space shuttles; at the conclusion of the tape, chief of the rocket booster program at the Marshall Space Flight Center Lawrence Mulloy says that the erosion problem of the booster rocket seals "represents an acceptable risk."

## Supreme Court

June 2—The Supreme Court rules unanimously that the Social Security Administration must reopen the cases of some 15,000 mentally ill people in New York who were refused disability benefits between 1980 and 1983; these individuals have a right to sue the U.S.

June 3—The Court rules 5 to 4 to overrule a lower court decision that the confession made out of court by an accomplice to a crime is "presumptively unreliable" and may not be used against the defendant.

June 9—In a 5-3 decision, the Supreme Court rules that the administration's interpretation of a 1973 statute barring discrimination against the newborn handicapped, the so-called Baby Doe rule, is unconstitutional.

The Court rules unanimously that a defendant has a constitutional right to tell a jury how his confession was obtained.

June 11—In a 5-4 decision, the Court rules that the Pennsylvania Abortion Control Act of 1982 is unconstitutional; this decision upholds the Court's 1973 decision in *Roe v. Wade*, which established a woman's constitutional right to have access to abortion under certain conditions.

June 17—After 17 years as Chief Justice, Warren Burger resigns; President Reagan nominates Associate Justice William H. Rehnquist to succeed him; when Rehnquist is confirmed by the Senate, the President will nominate U.S. court of appeals Judge Antonin Scalia to fill the vacancy on the Court.

June 19—The Court rules unanimously that sexual harassment "sufficiently severe or pervasive" to create a "hostile or abrasive work situation" violates the federal laws against sex discrimination; however, the Court says that companies "are not necessarily liable" for the actions of their supervisors.

The Court rules unanimously that states cannot withdraw their state and local government employees from the Social Security System.

June 23—The Court rules 5 to 4 to uphold the death sentence of a Florida man whose trial was marked by what all 9 justices call improper efforts by the prosecutor to make a "relentless and single-minded attempt to inflame the jury."

June 25—In a 6-3 ruling, the Court declares that U.S. courts must dismiss libel suits filed by public officials or figures unless they are able to prove with "convincing clarity" that they have grounds for libel.

June 26—The Court rules 5 to 4 that the Constitution bars the execution of a convicted murderer who has become insane while awaiting his execution.

The Court rules 6 to 3 that evidence elicited from a defendant by an informer is admissible so long as the informer has not asked leading questions.

June 27—The Court rules 6 to 3 that commercial airlines are not bound by the 1973 Rehabilitation Act, which bars discrimination against the handicapped.

June 30—In a 5-4 decision, the Court upholds a Georgia law that makes sodomy illegal, even in the privacy of one's home; acts of sodomy are not protected by the Constitution and the right to privacy does not include homosexual acts.

The Court rules 7 to 2 that the public has a constitutional right to be admitted to a pretrial hearing in a criminal case.

The Court rules 6 to 3 to reverse a lower court decision; it rules that partisan gerrymandering of election districts violates the Constitution only when it can be said to "consistently degrade" the influence of a particular group.

## URUGUAY

(See *U.S., Foreign Policy*)

## VIETNAM

(See also *China*)

June 11—Vietnamese and U.S. officials meet in Hanoi to discuss over 1,000 U.S. soldiers missing in action since the Vietnam War (the MIA's); the talks were suspended for 2 months because of the U.S. bombing raid on Libya.

June 24—It is reported that 8 ministers have been dismissed or reassigned as part of a government shakeup; most of the remaining ministers are supportive of a new economic reform program.

## YUGOSLAVIA

June 27—The Yugoslav Communist party ends its congress after electing 127 new members to its Central Committee.

## JULY, 1986

### INTERNATIONAL

#### Arab League

(See *Morocco*)

#### Arms Control

July 30—In Geneva, a week-long meeting on changing or replacing the second strategic arms limitation treaty (SALT 2) ends; American negotiators tell their Soviet counterparts that U.S. President Ronald Reagan's decision to abrogate the SALT 2 treaty later in 1986 is final and that the U.S. will no longer honor SALT 1 treaty limits, which expired in 1977.

July 31—In Geneva, Soviet and American negotiators end talks on improving the verification of the underground testing of nuclear weapons; further talks are scheduled for September.

### European Economic Community

(See *U.S., Foreign Policy*)

#### General Agreement on Tariffs and Trade (GATT)

July 13—GATT spokesman David Woods announces that China has applied for membership.

#### International Monetary Fund (IMF)

(See *Mexico*)

#### Iran-Iraq War

July 12—Iran and Iraq report heavy fighting in the Hawizah marshes in the northern Persian Gulf.

#### Organization of Petroleum Exporting Countries (OPEC)

July 28—OPEC's 13 ministers begin their 4th meeting this year to discuss production quotas.

#### United Nations (UN)

(See also *Mexico*)

July 2—In his 1st speech as president of the World Bank, Barber Conable says that he hopes to work with Japan to recycle Japan's trade surpluses as growth capital for debtor nations.

July 17—The U.S. pledges \$2.85 billion to the International Development Association, an affiliate of the World Bank that makes interest-free loans to impoverished countries.

July 29—In a speech before the Security Council, Nicaraguan President Daniel Ortega Saavedra asks the U.S. to abide by a World Court ruling last month to stop aiding antigovernment guerrillas (contras) in Nicaragua.

July 31—The U.S. vetoes a Security Council resolution that implicitly asks the U.S. to comply with the World Court's June ruling that it end financial and military support for the contras.

### AFGHANISTAN

(See *U.S.S.R.*)

### AUSTRALIA

(See also *Malaysia*)

July 24—Foreign Minister William Hayden says that the Australian public might call for the removal of U.S. bases if the U.S. Congress votes to allow the sale of subsidized U.S. grain to China.

### AUSTRIA

July 8—Kurt Waldheim is formally inaugurated President.

### BANGLADESH

July 10—President H. M. Ershad opens Parliament; 92 of 102 opposition members of Parliament boycott the session.

### BOLIVIA

(See also *U.S., Foreign Policy*)

July 17—Interior Minister Fernando Barthelemy says 100 recently arrived U.S. troops will be used as "technicians" in Bolivia's drive to eradicate the drug trade.

July 19—Jacobo Liebermann, an adviser to President Víctor Paz Estenssoro, says that Bolivia is pleased that the U.S. has decided to help Bolivia's drug eradication program, but "we would have liked assistance of a different nature; . . . instead, we got the invasion of Normandy."

### CANADA

July 13—Prime Minister Brian Mulroney says Canada will independently impose sanctions on South Africa if the other Commonwealth nations refuse to impose sanctions at the August Commonwealth meeting.



**CHILE**(See also *U.S., Foreign Policy*)

- July 3—The military government charges 2 magazine editors and 17 opposition leaders with "the illegal paralyzation of normal activities" after the 2d day of a general strike called by the opposition.
- July 18—General Carlos Ojeda, the commander of the army in Santiago, announces the arrest of 25 soldiers for setting 2 youths on fire on July 2; one of the burned teenagers, the son of an exiled political opponent living in the U.S., has died.
- July 23—A civilian judge in Santiago indicts an army lieutenant on charges of burning the 2 youths and orders the release of the 24 soldiers; the judge sends the case to a military court.
- July 25—A bomb explodes near the presidential palace; 24 people are injured by the blast.

**CHINA**(See also *Intl, GATT*)

- July 6—The government devalues the yuan by 15.8 percent against major foreign currencies.
- July 16—*Worker's Daily* reports that an instrument plant in Shenyang has gone bankrupt; this is the 1st factory bankruptcy in China since the Communists came to power in 1949.
- July 23—John Burns, a reporter for *The New York Times*, is expelled on suspicion of espionage; he was detained by the Chinese 6 days.

**CUBA**(See *U.S., Foreign Policy*)**CYPRUS**

- July 4—Rauf Denktash, the head of the self-proclaimed Turkish Cypriot Republic, orders the closing of all border crossings between the republic and the rest of Cyprus; the border closing follows today's departure of Turkish Prime Minister Turgut Ozal.
- July 12—Denktash lifts the blockade; he says he ordered the blockade as a "slap in the face of the Greek Cypriot leadership."

**EL SALVADOR**

- July 11—Leftist guerrillas offer a peace plan that calls for a cease-fire; the guerrillas would then take part in elections after the formation of a transitional government.
- July 17—The government deports a group of U.S. Roman Catholics because they entered a war zone.

**FRANCE**(See also *New Zealand*)

- July 7—President François Mitterrand arrives in Moscow for a 4-day visit.
- July 9—Authorities say that they suspect the terrorist group Direct Action is responsible for today's bombing of a police station in Paris; 1 policeman is killed and 27 people are injured.
- July 14—Mitterrand says he will not sign decrees returning state-owned businesses and banks to private ownership; the measures are sponsored by conservative Prime Minister Jacques Chirac.
- July 30—Cabinet ministers approve a plan that cuts government subsidies to industry by \$1.6 billion in 1987.
- July 31—Parliament adopts a bill that returns 65 state-owned stores to the private sector.

**GERMANY, EAST**(See *Germany, West*)**GERMANY, WEST**

- July 9—The terrorist Red Army Faction claims responsibility for today's car bombing that killed West German industrialist Karl Heinz Beckurts and his driver.
- July 21—The government allows an East German scholar accused of spying to return to East Germany; the East German, Herbert Meissner, was staying in the East German embassy in Bonn to avoid arrest.

**HAITI**

- July 16—A court in Port-au-Prince orders the death sentence for Luc Desyr, the former chief of security for dictator François Duvalier, the father of deposed dictator Jean-Claude Duvalier; Desyr was convicted of murdering and torturing Duvalier's opponents.

**HONDURAS**(See *U.S., Foreign Policy*)**INDIA**

- July 26—Four people are killed in a demonstration in New Delhi to protest yesterday's killing of 15 Hindus by Sikh extremists in Punjab; the Hindus were executed after being forced off a bus.

**IRAN**(See *Intl, Iran-Iraq War; U.S., Foreign Policy*)**IRAQ**(See *Intl, Iran-Iraq War*)**ISRAEL**(See also *Lebanon; Morocco*)

- July 10—Four Palestinian guerrillas are killed when they try to infiltrate into Israel from the Lebanese border; 2 Israeli soldiers are killed in the battle. Later in the day, Israeli aircraft bomb suspected Palestinian guerrilla targets in a Palestinian refugee camp near Sidon, Lebanon; 10 people are reported killed.
- July 14—The Cabinet votes 14 to 11 not to investigate the alleged coverup by government officials of the 1984 killing of 2 Palestinian hijackers after the 2 had surrendered.
- The attorney general orders a police investigation into the alleged coverup and killings.
- July 21—Justice Minister Yitzhak Modai resigns rather than have Prime Minister Shimon Peres dismiss him for continued criticism.
- July 27—The Cabinet names Tourism Minister Avraham Sharir justice minister; Sharir will retain the Tourism Ministry portfolio.

**ITALY**

- July 10—A jury in Genoa convicts 11 Palestinians of hijacking the cruise ship *Achille Lauro*; only 5 of the men are in custody. The Palestinians receive sentences ranging from 30 years to life.
- President Francesco Cossiga names Christian Democrat Giulio Andreotti Prime Minister; Socialist Prime Minister Bettino Craxi's government collapsed last month.
- July 29—Because Andreotti has been unable to form a new government, Craxi agrees to continue as Prime Minister until March, 1987; he will then resign and a Christian Democrat will become Prime Minister.

**JAPAN**(See also *Intl, UN; U.S., Foreign Policy*)

- July 7—Results from yesterday's parliamentary elections show that the ruling Liberal Democratic party won 49.6 percent of the vote, which gives it 300 seats in the 512-seat House of Representatives; the Socialist party wins 85 seats, with the rest of the seats going to smaller opposition parties.
- July 22—The Parliament overwhelmingly reelects Yasuhiro Nakasone Prime Minister; Nakasone names a new Cabinet.

**JORDAN**(See also *U.S., Foreign Policy*)

- July 7—The government closes the Jordanian offices of Al Fatah, the Palestine Liberation Organization (PLO) faction headed by Yasir Arafat.

**KOREA, SOUTH**

- July 25—Kim Dae Jung, a prominent dissident, is put under house arrest so he cannot attend a meeting of opposition leaders to discuss changes in the constitution to allow direct presidential elections.

**KUWAIT**

- July 3—Sheik Jaber Ahmed, the Emir of Kuwait, dissolves the Parliament and suspends parts of the constitution.

**LEBANON**(See also *Israel*)

- July 3—Muslims and Christians join in a nationwide general strike to protest the country's economic situation and the continuing civil war.
- July 14—Israeli jets bomb a village south of Beirut, the alleged headquarters of a pro-Syrian Palestinian group. Four people are killed and 5 are wounded.
- July 24—Shiite Muslim fundamentalists attack the Moroccan embassy in Beirut to protest talks this month between Morocco and Israel.
- July 26—Islamic Holy War, a Shiite extremist group, releases the Reverend Lawrence Martin Jenco, who was held hostage by the group for 19 months; 3 other Americans are still being held.
- July 28—A car bomb explodes near the Christian Phalangist party headquarters in East Beirut; 31 people are killed and 120 are wounded. No group takes responsibility.
- July 29—A car bomb explodes in a market section of Muslim West Beirut; 25 people are killed and 180 are wounded. No group takes responsibility.

**LIBERIA**

- July 22—The government announces that it is reestablishing diplomatic ties with the Soviet Union.

**MALAYSIA**

- July 7—Two Australians are hanged for trying to smuggle heroin out of the country; they are the 1st Westerners to be executed as a result of Malaysia's stringent drug laws.
- July 18—Prime Minister Mahathir Mohammad announces that he is dissolving the Parliament so general elections can be held August 2 and 3.

**MEXICO**

- July 14—The State Election Commission announces formal results for the July 6 Chihuahua state elections; the ruling Institutional Revolutionary party won all but 2 posts in the state.
- July 22—An agreement is signed with the International Monetary Fund (IMF) for \$1.6 billion in emergency assistance; in return, Mexico must institute economic reforms. An agreement is also signed with the World Bank for \$2 billion in credits.

**MOROCCO**(See also *Lebanon; Syria; U.S., Foreign Policy*)

- July 21—Israeli Prime Minister Shimon Peres secretly arrives for talks with King Hassan II.
- July 23—Peres leaves Morocco; he says further talks are planned with Hassan. Later, in a televised speech, Hassan says he told Peres: "I have nothing more to say to a man who rejects the PLO . . . so goodbye."
- July 27—Hassan announces that he is resigning the chairmanship of the Arab League because of Arab criticism of his meeting with Peres.

**NEW ZEALAND**

- July 22—The French government formally apologizes to New Zealand for the 1985 bombing by French security agents of a ship owned by the environmentalist group Greenpeace; 1 Greenpeace member was killed in the attack. France gives New Zealand \$7 million in compensation for the attack and the French agents are allowed to spend their prison terms in French custody.

**NICARAGUA**(See also *Intl, UN; U.S., Foreign Policy*)

- July 4—The government announces the expulsion of Pablo Antonio Vega, a Roman Catholic bishop, for supporting the anti-Sandinista guerrillas (contras).
- July 7—Opposition party leaders who boycotted the 1984 presidential election ask the government to hold new elections; they claim they will win 80 percent of the vote.
- July 21—Two U.S. reporters say that they were detained and then expelled to Costa Rica on July 18 for changing hotel rooms without notifying authorities; the reporters' notebooks and other material were confiscated.
- July 23—The Interior Ministry says the 2 U.S. journalists were incorrectly expelled by middle-level government officials and are free to return to Nicaragua.

**NORWAY**

- June 2—Statoil, the state-owned energy company, announces an agreement to supply natural gas to 6 West European nations; this will reduce West Europe's reliance on the Soviet Union for natural gas.

**PAKISTAN**

- July 6—Opposition leader Benazir Bhutto says that yesterday's widespread antigovernment protests were successful.
- July 16—In Washington, D.C., for an official visit, Prime Minister Mohammad Khan Junejo tells U.S. officials that Pakistan is not developing a nuclear weapon; the U.S. has warned Pakistan that development of a nuclear weapon would mark the end of U.S. economic aid to Pakistan.

**PERU**

- July 1—The justice minister resigns after he accuses the security forces of using illegal and immoral conduct in their June attacks on 2 prisons to end riots by leftist guerrillas; most of the 150 guerrillas killed in the riot were executed after they surrendered.
- July 8—Shining Path guerrillas attack the Soviet Union's embassy in Lima; 1 guerrilla is killed.
- July 24—A judge in Lima orders the arrest and trial for murder of General Jorge Rabanal; Rabanal directed the attacks on the prisons.

**PHILIPPINES**(See also *U.S., Foreign Policy*)

- July 4—Police disperse 5,000 people demonstrating against U.S. military bases in the Philippines.
- July 6—Arthur Tolentino, the running mate of deposed Pres-

ident Ferdinand Marcos, proclaims himself acting President after pro-Marcos demonstrators and soldiers take over the Manila Hotel; Tolentino says he will relinquish the presidency to Marcos on his return.

July 7—Tolentino and his supporters end their siege; the government says there will be no reprisals against the soldiers who took part in the uprising.

July 8—Marcos, in exile in Hawaii, denies reports that he instigated the coup attempt.

July 9—President Corazon Aquino bans rallies and demonstrations by Marcos supporters and orders the coup supporters not to leave the country.

July 18—An American missionary kidnapped 6 days ago is released unharmed by a guerrilla group allegedly tied to a supporter of Marcos's.

## POLAND

July 3—The 5-day Polish Communist party congress ends in Warsaw; General Wojciech Jaruzelski is renamed party First Secretary and 3 generals are appointed to the Politburo.

## SOUTH AFRICA

(See also *U.S., Foreign Policy, Legislation*)

July 1—The government formally abolishes the pass laws, which limited black access to white areas.

July 2—The government says it will formally charge 780 of the thousands of people it has detained since the restrictions on civil liberties were ordered on June 12; those charged will be given access to a lawyer.

July 4—De Beers announces that 2,000 black mineworkers have struck the company's mines to demand the release of labor leaders detained under the emergency decree.

The police announce that a bomb explosion today in a white suburb of Pretoria wounded 20 people.

July 5—The Bureau for Information, the government-controlled source of news on disturbances in South Africa, reports that black guerrillas killed 5 black officials in 2 black townships. Two of the guerrillas are killed.

July 7—The government lifts travel and speech restrictions on black opposition leader Winnie Mandela.

July 8—The government information agency reports that 31 people were killed in fighting between rival Zulu tribes on July 6.

July 11—The government information agency reports that 10 black guerrillas have been killed by security forces in the last 2 days.

July 14—Thousands of black students boycott the start of school in defiance of a July 10 government order declaring that those who fail to attend today will be barred from attending the rest of the year.

July 20—The Bureau for Information announces that earlier today police used tear gas to break up a worship service for relatives of detainees.

July 21—Nobel Peace Prize winner Bishop Desmond Tutu meets with President P. W. Botha in Johannesburg to discuss the government's state of emergency.

July 22—Bishop Tutu says U.S. President Ronald Reagan's speech today on U.S. policy toward South Africa was "nauseating."

July 23—Foreign Minister Roelof Botha praises President Reagan's July 22 speech.

July 29—British Foreign Secretary Sir Geoffrey Howe ends a 7-day visit.

After Howe leaves, President Botha says he told Howe that "South Africa should be left in peace"; South Africa "can never commit suicide by accepting threats . . . from outside forces and handing over South Africa to Communist forces in disguise."

## SPAIN

July 14—A car bomb explodes in downtown Madrid, killing 10 passing Civil Guardsmen; the government says Basque terrorists are responsible.

July 21—Police say that Basque guerrillas are responsible for today's rocket and car bomb attack on the Defense Ministry building in Madrid; 9 people are wounded.

July 26—Prime Minister Felipe González's new Cabinet is sworn in.

## SRI LANKA

July 22—The government says Tamil guerrillas planted the land mine that killed 28 civilians on a bus today.

## SURINAME

(See *U.S., Administration*)

## SYRIA

July 22—The government announces the suspension of diplomatic relations with Morocco because of Moroccan King Hassan II's meeting today with Israeli Prime Minister Shimon Peres.

## THAILAND

July 29—Official results from the July 27 parliamentary elections show that Deputy Prime Minister Bhichai Rattakul's Democratic party won 100 of 347 parliamentary seats; Prime Minister Prem Tinsulanonda, who has no party affiliation, is expected to remain Prime Minister.

## TUNISIA

July 8—President Habib Bourguiba dismisses Prime Minister Mohammed Mzali and names Finance Minister Rachid Sfar to the post.

## TURKEY

(See *Cyprus*)

## U.S.S.R.

(See also *Intl, Arms Control; France; Liberia; Norway; U.S., Foreign Policy*)

July 15—In Great Britain for an official visit, Foreign Minister Eduard Shevardnadze and British Foreign Secretary Sir Geoffrey Howe sign an agreement that settles British claims against the Soviet Union for \$75 million in British bond debts that were initially repudiated by the Soviet Union in 1917.

July 16—Ending his trip to Great Britain, Foreign Minister Shevardnadze says that Soviet experts are making "very serious, substantive preparations" for a summit meeting between General Secretary Mikhail Gorbachev and U.S. President Reagan.

Two cosmonauts return from a 4-month space flight.

July 18—The official press agency Tass announces the dismissal of Yevgeny Kulov, the head of the State Committee for Safety in the Atomic Power Industry; Kulov was fired for his mishandling of the April 26 meltdown of a nuclear reactor at the Chernobyl nuclear power plant.

July 19—The Politburo issues a report saying that unauthorized tests caused the April 26 accident at the Chernobyl nuclear power plant; 3 high-ranking nuclear power officials are dismissed from office. The report says that criminal proceedings will be launched against those responsible for "gross breaches" of discipline at the plant.

July 21—Nikolai Lukonin is named head of the new Ministry of Nuclear Power.

July 28—In Vladivostok, Gorbachev announces the withdrawal of 6 Soviet regiments (7,000 men) from Afghanistan; he also calls for better relations with China and other Asian nations.

## UNITED KINGDOM

## Great Britain

(See *South Africa; U.S.S.R.; U.S., Foreign Policy*).

- July 31—The Cabinet unanimously agrees to support Prime Minister Margaret Thatcher's opposition to punitive economic sanctions against South Africa.

## UNITED STATES

## Administration

- July 4—In New York, President and Mrs. Ronald Reagan take part in ceremonies celebrating the 100th birthday of the Statue of Liberty and its restoration; the President rekindles the Liberty torch.

As of August 8, the Food and Drug Administration (FDA) bans the use of sulfite preservatives to keep fruits and vegetables looking fresh.

Postmaster General Albert Casey reports that the U.S. Postal Service made a profit of \$115 million in the 2d quarter of 1986.

- July 9—The Attorney General's Commission on Pornography issues 92 recommendations in a 1,960-page report that calls for more vigorous enforcement of present laws and increased citizen vigilance; the report claims that there is a "causal relationship" between some types of pornography and sexual violence.

- July 14—In Los Angeles, former Federal Bureau of Investigation (FBI) agent Richard Miller is sentenced to 2 consecutive life terms on charges of spying for the Soviet Union.

- July 18—The Census Bureau issues a study that shows that white Americans, with almost twice the income of black Americans, have more than 10 times their assets.

- July 23—The FDA approves the commercial production of a genetically altered vaccine for the prevention of hepatitis B.

- July 24—In San Francisco, former U.S. Navy radioman Jerry Whitworth is convicted on 7 counts of espionage and 5 counts of tax fraud for his part in the espionage ring headed by John A. Walker Jr.

- July 25—Agriculture Secretary Richard Lyng appoints special investigators to study the drought in 8 middle Atlantic and southern states, from Pennsylvania to Alabama; the drought has caused an estimated \$2 billion in crop and livestock losses. Weather forecasters predict that the drought may last until mid-August.

- July 26—The FBI says that reported crimes in the nation rose 5 percent in 1985.

In his weekly radio address, President Reagan blames congressional delay in enacting tax reform for the slow economy; he says the slowdown is only temporary.

- July 28—FBI and Customs Service agents arrest 13 persons on charges of violating the Neutrality Act. The 13 were preparing to overthrow the leftist military government of Suriname and take control of its banking system.

- July 29—The Department of Health and Human Services reports that health care costs in the U.S. rose 8.9 percent in 1985.

## Economy

- July 1—The Commerce Department reports that its index of leading economic indicators rose only 0.2 percent in May.

- July 2—The New York Stock Exchange's Dow Jones Industrial Average of 30 blue chip stocks closes at a record high of 1,909.03.

- July 3—The Labor Department reports that the nation's unemployment rate fell to 7 percent in June.

- July 7—The Dow Jones Industrial Average falls a record 61.87 points to 1,839.00.

- July 10—The Federal Reserve Board lowers its discount rate from 6.5 percent to 6 percent.

- July 11—The Labor Department reports that its producer price index remained unchanged in June but that the index declined at an annual rate of 6.5 percent in the 1st half of 1986.

Most major banks lower their prime rate to 8 percent.

- July 18—In its semiannual report, the Federal Reserve Board says that the nation's economy will show a slow sustained growth through 1986 at an inflation-adjusted annual rate of 2.5 to 3 percent this year and a moderate rise next year.

- July 22—The Commerce Department reports that the nation's gross national product (GNP) grew at an annual rate of only 1.1 percent in the 2d quarter of 1986.

- July 23—The Labor Department reports that its consumer price index rose 0.5 percent in June.

- July 29—Federal Reserve Board Chairman Paul Volcker tells the House Banking Committee that the U.S. foreign trade deficit is dangerous to the economy but that he expects "the economy will continue growing."

- July 30—The Commerce Department reports a U.S. foreign trade deficit of \$14.17 billion in June; the department projects a record \$170-billion deficit for all of 1986.

## Foreign Policy

(See also *Intl, Arms Control, UN; Australia; Bolivia; China; Lebanon; Nicaragua; Pakistan; Philippines; South Africa; U.S.S.R.*)

- July 2—Commerce Secretary Malcolm Baldrige reports that negotiations just completed with the European Economic Community (EEC) will avoid a trade war for the next 6 months over U.S. and European farm products.

According to the White House, U.S. and Cuban negotiators will meet in Mexico City next week to discuss renewal of a 1984 immigration agreement, suspended by Cuba after Radio Martí (operated by the U.S. Information Agency) began broadcasts aimed at Cuba.

- July 4—President Reagan announces that Philippine President Corazon Aquino will visit the U.S. in September.

- July 10—After 2 days of talks in Mexico City, the State Department reports that negotiations with Cuban officials have failed because of disagreements over Radio Martí and the possibility that Cuban broadcasts may be aimed toward the U.S.

- July 11—The White House reports that the Central Intelligence Agency (CIA) will control the U.S.-aided military operations of the Nicaraguan contras.

- July 12—U.S. Envoy to Latin America Philip Habib meets with Honduran President José Azcona Hoya to discuss the Contadora peace proposals.

- July 13—In Chile, Senator Jesse Helms (R., N.C.) criticizes the actions of Ambassador to Chile Harry Barnes Jr.; Barnes attended the funeral of Rodrigo Royas de Negri, an American resident who was fatally burned by troops during an anti-government protest.

- July 14—The White House and the State Department defend Ambassador Barnes's attendance at the funeral of Rodrigo Royas de Negri.

- July 15—The U.S. sends military personnel and 6 helicopters to assist Bolivian authorities in combating drug growers and processors.

- July 17—In Mexico City, Deputy Assistant Secretary of State Robert Gelbard ends 4 days of discussions with Chilean officials; he asks for assurances that a democratic transition will occur after the scheduled 1989 presidential election.

- July 21—North Carolina black businessman Robert Brown



officially removes his name from consideration as ambassador to South Africa.

July 22—In a White House address, President Reagan again defends his administration's "constructive engagement" policy toward South Africa; he terms economic sanctions a "historic act of folly" and urges the South African government to move in the direction of "political peace."

July 24—The State Department calls the meeting of Morocco's King Hassan II and Israel's Prime Minister Shimon Peres in Morocco "a valuable and historic effort" toward Middle East peace.

July 25—Vice President George Bush begins a 12-day trip to the Middle East.

President Reagan replies to Soviet General Secretary Mikhail Gorbachev's arms control proposals in a letter whose contents have not yet been released.

The U.S. orders Iranian diplomat Alireza Deyhim to leave the U.S. for alleged activities against "American security interests." Deyhim was attached to the Iranian mission at the UN.

July 27—In response to a message from 1 of 3 Americans still held hostage in Lebanon, the State Department says that this administration "will not make any deals to secure the release of hostages."

July 29—White House spokesman Larry Speakes says that the U.S. and South Africa have signed an agreement for increased South African textile exports to the U.S.

The State Department says that the U.S. has tentatively agreed that Secretary of State George Shultz will meet with Soviet Foreign Minister Eduard Shevardnadze on September 19 and 20 in Washington, D.C.

July 30—The State Department says that the U.S. is likely to oppose further international loans to Chile until Chile radically improves its human rights record.

July 31—President Reagan announces an agreement with Japan under which Japanese companies will no longer sell computer chips in the U.S. at lower than a "fair price." Japan will also open its markets to U.S. chip producers.

The White House tells Congress that the Agency for International Development will funnel \$4.5 million in aid through Jordan's King Hussein to the West Bank Palestinians.

### Labor and Industry

July 15—Litton Systems Incorporated pleads guilty to 325 counts of fraud for overbilling the Defense Department \$6.3 million for electronic components; Litton will pay \$15 million in fines, penalties, interest and restitution.

July 16—The Bank of America Corporation reports a loss of \$640 million for the 2d quarter of 1986; this is the 2d largest loss in U.S. banking history.

July 17—Listing more than \$4 billion in debts, the LTV Corporation files for bankruptcy under Chapter 11; LTV is the largest company (and has the largest listed liabilities) to file for bankruptcy in U.S. history.

July 31—The United Steelworkers union and the USX Corporation break off contract talks; the union sets up picket lines and claims to be "locked out."

### Legislation

July 2—President Reagan signs the \$1.7-billion supplemental spending bill.

President Reagan signs a new military pension bill.

July 8—President Reagan signs legislation to start Daylight Savings Time the 1st Sunday in April instead of the last Sunday in April.

July 14—Congress returns after a July 4 recess.

July 17—The Senate, in an 87-10 vote, ratifies a new extradition treaty with Britain that will make it easier for Brit-

ain to extradite accused terrorists from the U.S.; the treaty is retroactive.

The House votes 339 to 72 and the Senate takes a voice vote to approve \$11.7 billion in spending cuts made under the 1985 budget-balancing law.

July 22—The House votes 406 to 0 to impeach U.S. district court Judge Harry E. Claiborne of Nevada; Claiborne is serving a 2-year sentence for tax evasion. The case now goes to the Senate for trial.

July 23—In a 50-49 vote, the Senate confirms Daniel Manion as a U.S. appellate court judge in Chicago.

Appearing before the Senate Foreign Relations Committee, Secretary of State Shultz defends President Reagan's policies toward South Africa and his refusal to seek sanctions. Shultz calls the situation in South Africa "evolving."

July 29—The Senate votes 78 to 21 to continue to televise its sessions.

### Military

July 2—The President's Blue Ribbon Commission on Defense Management presents its final report asking military suppliers to make a voluntary effort to be honest in military contracting.

July 11—*The New York Times* reports that an Air Force plane that crashed today near Sequoia National Forest in California was a secret experimental Stealth fighter.

A Defense Department assessment of the 1983 U.S. invasion of Grenada details the confusion and inadequate planning that characterized the operation.

July 16—The Defense Department suspends Litton Systems Incorporated from bidding on military contracts.

July 29—In a letter to Congress, President Reagan says that the U.S. will resume the production of chemical weapons; President Richard Nixon banned chemical weapons production in 1969.

July 31—The Air Force announces the mothballing for at least 6 years of the shuttle-launching facility at Vandenberg Air Force Base; the Air Force plans to build a new fleet of unmanned rockets, costing some \$2.6 billion, for the launching of satellites.

### Science and Space

July 12—Bell Laboratories announces a process using laser beams that slows the motion of independent atoms so that they can be closely studied.

July 15—The lightweight Voyager experimental plane returns to earth after a record 4 1/2-day, 11,600-mile flight without refueling.

July 18—The National Aeronautics and Space Administration (NASA) announces that it will ask for bids on a new solid-fuel rocket booster for the space shuttle; in the meantime, the booster will be modified to prevent disasters.

### Supreme Court

July 1—Upholding lower courts in a 5-4 decision, the Court rules that "states can ban or restrict advertising deemed harmful" even though the advertised products are legally sold.

July 2—In 2 cases, the Court rules that court-enforced affirmative action plans may be necessary to cure past racial discrimination if and only if other measures have not been effective.

July 7—In a 7-2 decision, the Supreme Court rules that a key provision of the Balanced Budget and Emergency Deficit Control Act of December, 1985, is unconstitutional. The Court rules that the provision ordering the comptroller general to make automatic cuts in the budget violates the constitutional separation of powers because the comptroller is "subservient" to Congress and would be encroaching on the powers of the Executive branch.

July 31—Citing executive privilege, President Reagan tells members of the Senate Judiciary Committee that he will not make available to them memorandums written by Chief Justice nominee William Rehnquist in 1969–1971 while Rehnquist was head of the Justice Department's Office of Legal Counsel.

#### VIETNAM

July 10—Le Duan, the Secretary General of the Vietnamese Communist party, dies.

July 14—Truong Chinh, the State Council Chairman and the 2d ranking member of the Politburo, is named to succeed Duan as Secretary General. ■

## FAMILY PLANNING IN CHINA

(Continued from page 281)

rate fell as public health measures took effect. As in many other developing societies, the care of the aged has rested primarily on their children. According to tradition, many children, especially sons, would provide assistance as well as companionship to the aged parents. But as modernization and urbanization occur, over a fairly long period the birthrate will slowly fall. In urban areas, the nuclear family will become more common. A time will come when the government will have to share the responsibilities for the aged.

In the Chinese case, there has been striking success in the achievement of a low death rate. There has been a determined effort by the government to prevent the sprawling urban development that has characterized many other developing countries. There has been definite but modest progress in the establishment of social welfare measures for the aged, including pensions and other retirement programs limited almost entirely to urban communities.

But the demographic consequences of the single child family policy were unexpected. There has been a sharp drop in the number of workers who could provide assistance to the increased percentage of the Chinese elderly.

Drawing on United Nations statistics, as well as information provided by the Chinese government, Professor Wen-hui Tsai has constructed a chart reporting selected demographic characteristics related to the Chinese elderly, 1960–2050. He projects that in the year 2000, the elderly population 60 years old and older (the age of retirement is 60 in the urban areas) will total 127,389,000 people, 10.1 percent, with an estimate for 2025 of a total of 234,036,000 elderly, 16.4 percent.<sup>30</sup>

The government regards the family as the first line of assistance. The constitution affirms this responsi-

bility. Older people prefer to live near relatives. For those without money, work or relatives, social welfare facilities are to be provided. The level of government subsidies available for building homes for the aged is modest. It is estimated that the cost of such a home is 100,000 yuan, with the government able to provide a subsidy of 6,000 yuan.<sup>31</sup> The consequences are obvious. The temptation to allow a second child, particularly if the first is a girl (who may well move away after marriage) on the grounds of hardship is understandable and not likely to diminish.<sup>32</sup>

In the 1980's and the 1990's, the government is likely to suffer increasing pressure to make good on an implicit promise to care for the aged who may find that there are four grandparents and two parents all of whom depend on a single child. The policy to allow couples each of whom is a single child to have two children addresses this problem.

## FAMILY PLANNING RECONSIDERED

It is still unclear whether the single child family policy has been successful. It has certainly been more effective than might have been expected half a decade ago. But the firmness of many government statements reflects recognition of the danger of admitting any doubt, and some indecision about the policy is apparent.

As any visitor to China will agree, one of the most striking impressions of a visit is the enormous pressure of a large population. This has apparently been an effective argument for many, if not all, Chinese couples.

On the other side of the coin, however, the problems of the aged may become more pressing, especially in the cities. At the national and the local level, the Chinese leaders themselves will have to consider the problem they confront with their own parents. Under these circumstances, the economic bargain struck to forgo children for progress and put at risk the support system for the elderly may appear less satisfying.

To the extent that rural policy permits a second child for most couples without a son, the gamble to sustain the single child family for two decades (thus providing the modernization effort with an interlude of limited social demands) may pay off. The gamble may also move the economy to a stage where it is able to serve enough of the needs of the aged and the children to insure domestic tranquility. ■

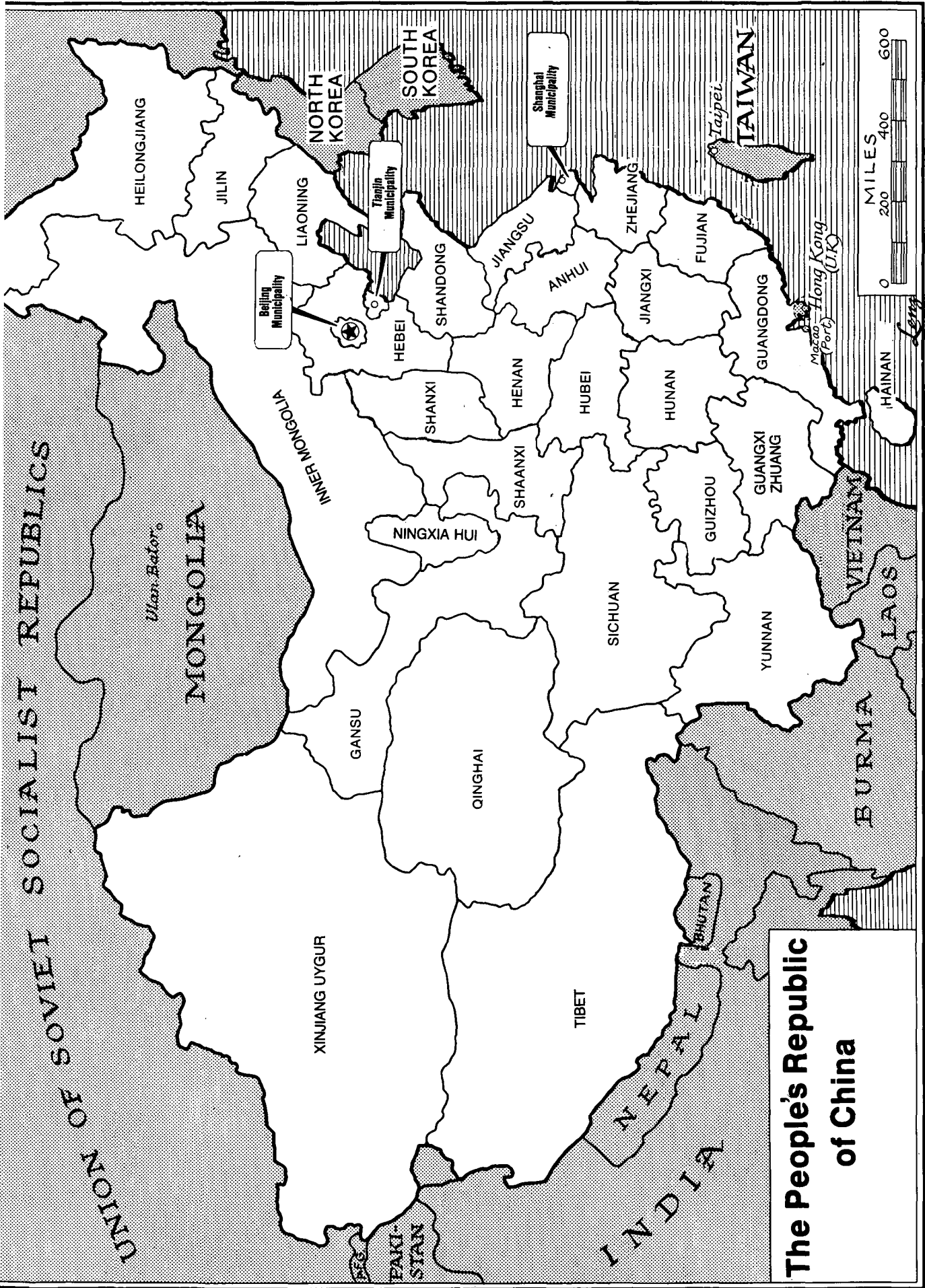
<sup>30</sup>Wen-hui Tsai, "From Old to Young: The Retirement Life of Chinese Communist Cadres and Its Political Implications" (Paper presented to the fifteenth annual Sino-American Conference on Mainland China, Taipei, Taiwan, June 8–14, 1986).

<sup>31</sup>"Old People in China: Hopes and Problems," *Beijing Review*, vol. 27, no. 16 (April 16, 1984), p. 32.

<sup>32</sup>The Guangdong decision demonstrates this.

ERRATA: We regret a typographical error in the article by John A. Marcum in *Current History*, May, 1986, p. 193, line 11; the line should read, "Angolan forces failed to capture UNITA's . . . strongholds. . . ."

The cover map of Africa used in the May, 1986, issue was out of date; Upper Volta changed its name to Burkina Faso in August, 1984.



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